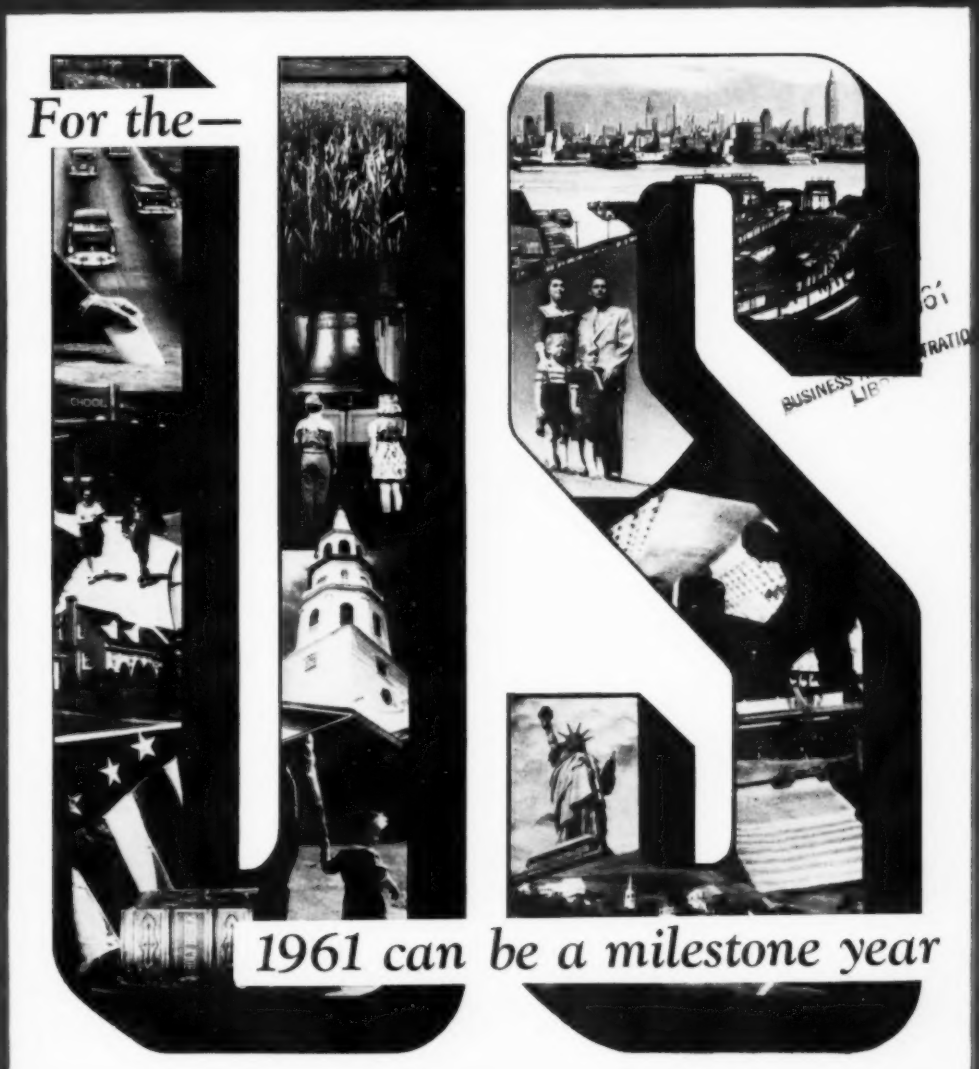
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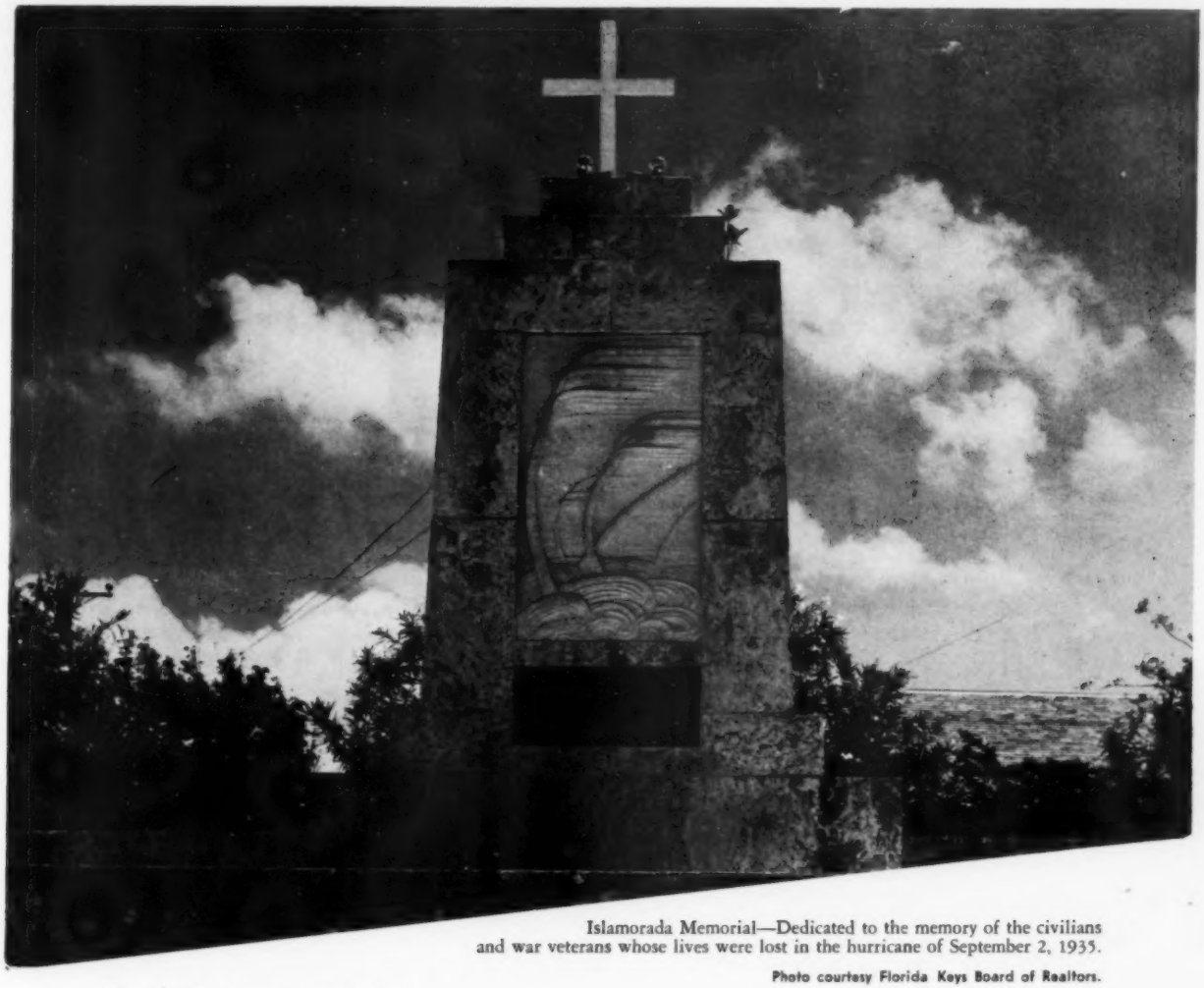
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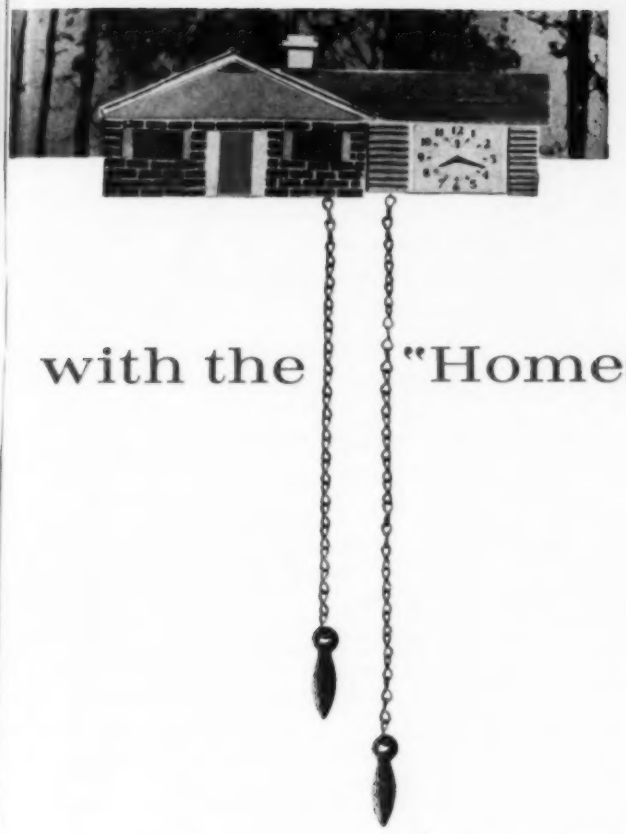
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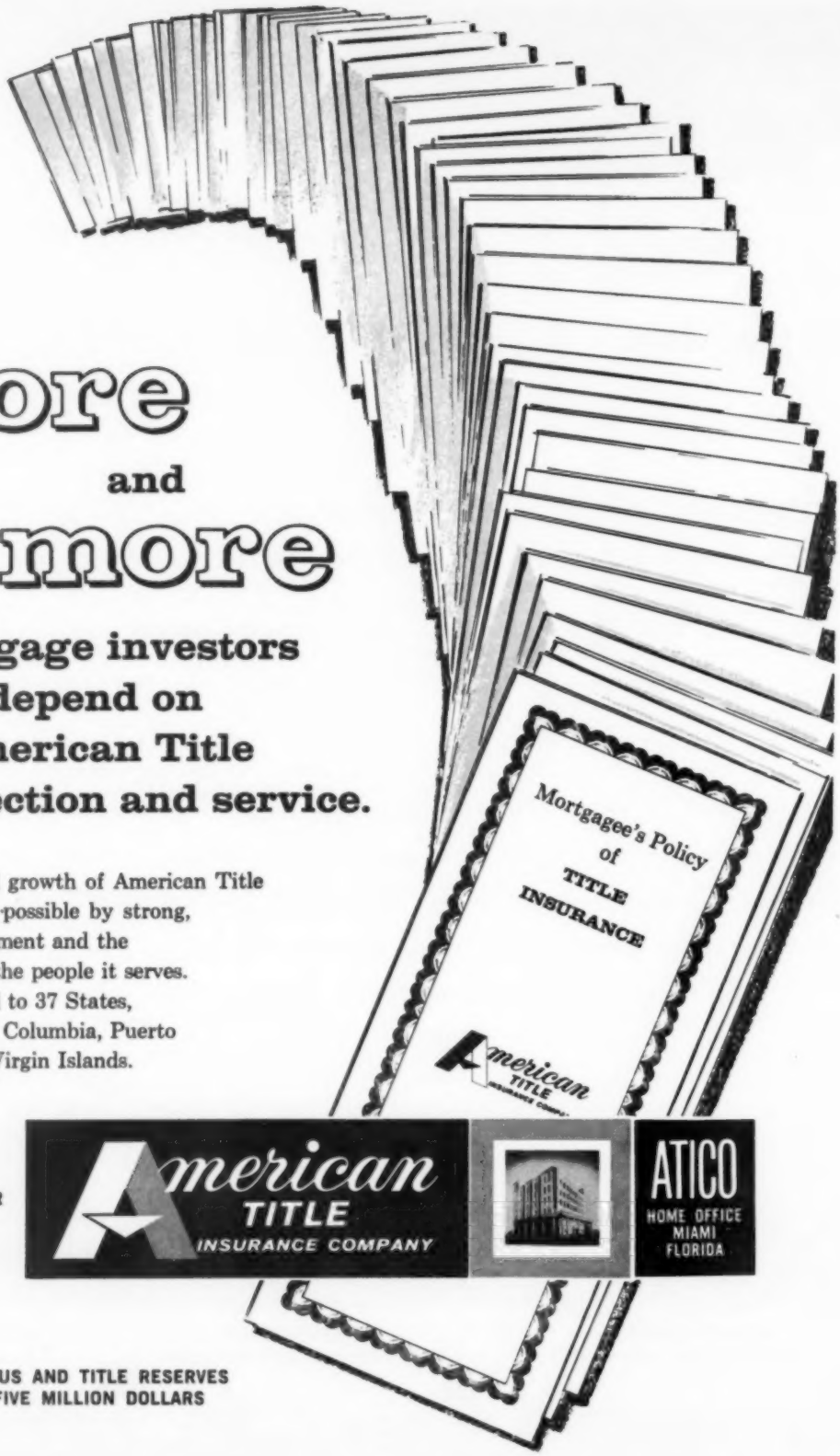
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MBA CALENDAR

January 17-19, Senior Executives Conference, New York University, New York

January 22-24, Senior Executives Conference, Southern Methodist University, Dallas

February 20-21, Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago

April 10-11, Southern Mortgage Conference, Dinkler-Plaza Hotel, Atlanta

April 20-21, Mortgage Servicing Clinic, Olympic Hotel, Seattle

May 18-19, Eastern Mortgage Conference, Queen Elizabeth Hotel, Montreal, Canada

School of Mortgage Banking, Northwestern University, Chicago:

June 18-24, Courses I and II

June 25-30, Course III

School of Mortgage Banking, Stanford University, Stanford, California:

July 23-29, Course I

July 30-August 5, Course II

September 11-14, Electronic Convention, Statler Hilton Hotel, Detroit

October 30-November 2, 48th Annual Convention, Americana Hotel, Miami Beach, Florida

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President Tharpe's Calendar

January 9, Hawaii MBA, Honolulu

January 25, Arizona MBA, Phoenix

January 28, Louisiana MBA

February 7, Birmingham MBA

February 13, Philadelphia MBA

March 23, St. Louis MBA

March 24, Nebraska Lenders Association, Omaha

April 6, California MBA, Coronado, Calif.

April 24, Iowa MBA, Sioux City

April 30, ABA Trust Conference, Washington, D. C.

May 10, Texas MBA, Ft. Worth

The Mortgage Banker

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THE MONTH'S COVER: It's a reminder that a new year in the nation's life is beginning, one that could well be a mighty important year. As President Tharpe said in Honolulu before members of the Hawaii MBA —just about the time this issue is printed — 1960 wasn't actually the start of the much-anticipated sixties because it failed to furnish the drive that was needed to launch this decade. This year could well serve to do that; but before it happens, there is still some road to travel the *other* way during the early months of 1961—as most economists seemed to agree in the closing days of 1960. However it all developes, 1961 should prove a most satisfactory year for mortgage bankers — for all except those who want every year a 1950, 1955 or 1959.

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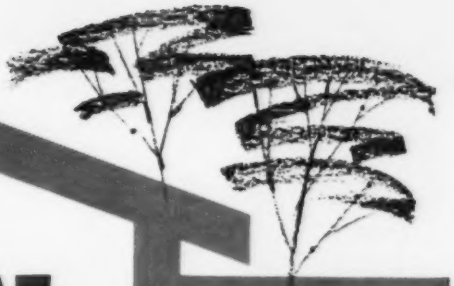
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Quotes

Reflections of the World Today in Capsule Comments

"Business conditions," said Per Jacobsson, managing director of the International Monetary Fund, "in the United States are today somewhat healthier than they were a year ago."

•

"Business," said incoming Secretary of Commerce Luther Hodges, "may pick up a little bit by spring."

•

"I think," said outgoing Secretary of Commerce Theodore Mueller, "that all of us will admit that we have had a little easing off in the last few months."

•

"The time has come," said U. S. Steel Chairman Roger M. Blough, "to recognize that every industrial foreign country against which American goods must compete has more liberal depreciation—in most cases much more liberal—than has the United States. And something should be done about it."

•

"No major forces," said Louis Paradiso, chief statistician of the U. S. office of business economics, "are in sight to provide the upward thrust needed for resumption of economic growth."

•

"Arguments for an independent Federal Reserve System deciding monetary policy," said Congressman Wright Patman, "seem to me to miss the mark by a wide margin.

"There seems no doubt that if a legal challenge were ever raised to the Federal Reserve's monetary policies the courts would hold them unconstitutional."

•

"The election," said Dr. Marcus Nadler of NYU, "was exceedingly narrow, hence cannot be interpreted as a mandate to the new Administration to make structural changes in the economy. The nation is not confronted by any emergency. The economy is essentially sound, no sector has been abused, and the basic social legislation has already been passed and accepted by both political parties. Changes in the existing laws are possible, but they are not likely to be radical in character."

•

"The year 1961," said Martin R. Gainsbrugh of NYU, "promises to appear as another of the middle years, not a year of boom but then, again, not a year of great recession or contraction. In it, we will continue to build a bridge between the highly stimulated period of 1940-55 and the decade of prosperity that may still be ahead of us when the tidal wave of the post-war baby crop starts entering our labor forces and begins to affect the demand for both consumer and capital goods."

•

"The present softness of the economy," said RCA Chairman David Sarnoff, "will continue through the first half of 1961 and an upturn will occur in the second half of the year. But the month-in-month-out fluctuations of the economic index must not obscure the underlying dynamism of research and technology. This is the enduring reality which guarantees economic growth in the years ahead."

•

"Present evidence suggests," said L. Walter Lundell, C.I.T. Financial Corporation President, "that the economy is likely to start moving upward in a matter of months. Improvements in the general business climate can be expected to restore consumer confidence and revitalize retail buying. Increased expenditures by businessmen to rebuild inventor positions and improve or enlarge productive capacity then would follow. It is generally agreed that the current recession has been milder than its 1949, 1954 and 1958 predecessors; while some lines have been cut back sharply, many other major economic indicators show only very limited de-

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clines, as compared with the last three cyclical recessions.

"When the upturn comes—as it should before the end of 1961—consumers will have access to abundant credit for financing their purchases. This supply of credit—coupled with a high level of personal savings and disposable income—will place consumers in a good position to buy for cash or on 'time' when visible signs of recovery restore their confidence in the general business outlook."

•

"This nation," said Sen. Clair Engle of California," is on the threshold of a new era in housing—an era when the nationwide shortage is at an end and the most urgent needs now are housing for the elderly, for minority groups, and the whole problem of urban renewal."

Sen. Engle said one reason for pushing ahead on urban renewal is the shortage of desirable land. Land speculation was one of the disturbing aspects of housing during the 1950's and land speculation thrives on shortages, he asserted.

The senator declared that there is a question now as to whether government action on housing credit again can be used effectively as an anti-recession measure.

He asserted there are many unsold houses because of high costs. He said research and development are needed.

"What we need," Sen. Engle declared, "is some kind of partnership between government and the more imaginative and powerful segments of the housing industry."

•

"Easier money," said Douglas Greenwald of McGraw Hill's Department of Economics, "is almost certain to result in more home building this year than in 1960. However, easier money will not provide a very big stimulation to residential construction in 1961. There are two reasons for this notion. First, the current age distribution of our population suggests the continuation of a relatively low rate of new family formation. Second, the vacancy rate is increasing, so there is more housing available now than in any recent period. Nevertheless, I look for an increase of 50,000 private non-farm housing starts over 1960's figure of about 1,250,000. If builders were to construct better houses at lower costs next year, then my estimate would have to be raised.

"Obviously, 1961's path of economic progress will not be smooth. The major problem will be the high level and high rate of unemployment in the nation. Declining production in the first few months of the year will add temporarily to the unemployment rolls. We also expect very large additions to the labor force in 1961, perhaps on the order of 1¼ million persons. Unfortunately, these people will not be easily absorbed into the work force. Remember, too, that industrial companies will be trying to improve their productivity (output per man hour) in order to cut costs. All of these factors will be working against a low level of unemployment in 1961. Thus, Senator Kennedy will begin his Administration in rather troubled economic times."

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Federal Financing Has Tough Problems

"The Treasury," said C. Richard Youngdahl, of Aubrey Lanston & Co., government bond house, before the Manufacturers Trust Company Conference, "has long labored to sell to the public securities of intermediate and long-term maturity. Progress has been painfully slow. Recently an offering of six years in maturity received only a $1 billion acceptance. In September a huge effort was made to refund about $3½ billion bonds into the truly long-term sector.

"It would be all too easy for the Federal Reserve to buy back these or comparable securities, thereby undoing all the previous efforts of the Treasury to put such securities in the hands of the public.

"More important, however, would be the effect of such a program on the functioning of our capital markets. If the Federal Reserve were to drive intermediate and long-term yields lower by buying such securities and not by easing credit generally, many investors who may now be in doubt as to whether they should continue to hold or to buy more intermediate or long-term securities would find it tempting to sell such issues and invest their money in the short-term area.

"The fact that longer-term yields had been reduced by official buying and not by private investment decisions would certainly make that sector of the market vulnerable in the minds of many investors. This would make it easier for such investors to decide to sell and not to buy just as soon as they had concluded that the Federal Reserve authorities had driven yields about as low as they wished them to go.

"How the corporate and muncipal markets or the mortgage market would perform under such circumstances is a question. If investors selling long-term Treasury issues were to buy corporate and other bonds or mortgages, the supply of funds going into those areas would, of course, be enlarged for the time.

"But at some point investors generally would distrust the entire long-term credit market—a situation that could put that market through the wringer or put the Federal Reserve on pegs again. The reactions to such a development, both here and abroad, can readily be imagined. I do not, therefore, expect that there will be an attempt by the Federal Reserve to intervene directly in the intermediate or long-term sectors of the credit market."

We May Have Another Round of Easy Credit

More federally-sponsored programs of easy credit aimed at stimulating the purchase of homes may be ahead. So said Dr. Arthur A. Smith, vice



president and economist of the First National Bank in Dallas, before Dallas MBA members.

"The point evidently has been reached where the building industry, which has the job of finding the financing, is scraping the bottom of the barrel for new home-buying prospects.

"The demand for homes continues strong, it is true—but fewer and fewer of the people who want to buy homes have sufficiently good credit to qualify under existing lending programs."

Dr. Smith pointed out that owners of private investment capital, operating under the same pressures of supply and demand, competition, and other factors which affect all business, are unable to lower credit standards beyond the point of a reasonable expectation of a fair return.

It is to be expected, therefore, that more government assistance similar to that already available through FHA, VA and similar home loan programs will be provided, Dr. Smith said.

The economist traced the history of the housing boom which took place in the past ten years, pointing out that federally-insured lending programs such as FHA and VA, plus such tax advantages as the income deductibility of loan interest and property taxes, had spurred home-buying far beyond "normal." The advantages to the home buyer actually were so great that in many cases the payments on a home, including taxes and other charges, amounted to less than the prevailing rental rate on comparable property, Dr. Smith pointed out.

As a result of these factors, more than 65 per cent of the families in the United States today are buying their own homes, as compared to only 40 per cent a decade or so ago, Dr. Smith said.

What to Look for in 1961 Interest Rates

"To determine the outlook for interest rates in 1961, the basic question, as always, is the prospect for general business activity. By and large, what happens to business as a whole will govern the relationship between demand and supply conditions in the capital markets and will thus determine interest rates. The trend of general business activity in 1961 will exert a powerful influence on fiscal, monetary, and other Federal policies which affect interest rates."

So said James J. O'Leary, director of economic research at the annual meeting of the Life Insurance Association of America.

"Last year was a baffling year for analysts of general business activity. During much of the year the general level of business activity moved along on a record-high plateau, but there were persistent signs of slack in the economy. The tendency for general business activity to soften somewhat became more evident.

"Although the pause in the advance of general business activity last year was quite modest, it is hard to escape the conclusion that a mild softening process will continue into the first quarter of 1961. It is difficult to see any powerful sources of business strength on the horizon at this time which would give the economy a new upward thrust. The rise in the rate of plant and equipment spending by

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business and industry now seems to be topping out. In earlier business cycles, when this occurred, the country usually experienced a sharp upturn in residential construction as mortgage financing became easier to obtain. At this time, however, there are some signs that increased availability of mortgage credit is not acting with the usual speed to stimulate a sharp rise in residential construction. These signs are the inventories of unsold houses in some areas and the moderate rise in the vacancy rate for apartments (7.5 per cent in September).

"At the same time, it can be argued that greater availability of credit arrived too late last year to provide much of a stimulus to the year's home-building. In a more favorable vein, general business activity should receive some stimulus from the action of Federal 'built-in-stabilizers' such as rising unemployment insurance benefits and the automatic tendency of the Federal Government to spend more than it receives as general business activity recedes. Moreover, the reduction in business inventories has probably run a good part of its course.

"The pattern of general business activity which probably lies ahead is a further moderate softening through the Spring of 1961 before a new rise in economic activity gets under way. The recovery will probably be sparked by a moderately rising rate of housing starts this Spring in response to more readily available mortgage credit, as well as by the Federal 'built-in-stabilizers,' well sustained consumer spending, and some rebuilding of business inventories. At the moment, however, it is difficult to foresee any factors which will give general business activity a strong upward push in the second half of 1961. Rather, the recovery seems likely to be gradual and of modest proportions.

"What does the general business outlook suggest about the trend of long-term interest rates in 1961? It suggests that, through the Spring of 1961, the demand for long-term capital funds may recede a little and that interest rates may tend to move down a little from their present levels, especially the rates on Federal, state and local bonds, as well as those on publicly offered corporate bonds. However, as witnessed by the sizeable corporate bond calendar at present, as well as the record amount of municipal bond issues approved by voters, and the continuing huge demand for capital by commercial enterprises, the overall demands for capital funds seem likely to remain high, so that any downward pressure on rates from reduced demand should not be strong. If we are correct about the general business situation, the U. S. Treasury will be back in the market in 1961 as a borrower to add to the demand for capital funds.

"With the increase in the rate of saving in mortgage lending institutions which is now taking place, interest rates on residential mortgages seem likely to move somewhat lower through the Spring of 1961, although the increased ease in residential mortgage lending may occur primarily in other terms than interest rate, e.g., easier down payment and amortiza-

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tion terms. The extent of any softening of interest rates on residential mortgages will depend on the elasticity of demand for mortgage loans as they become more readily available. In earlier periods mortgage demand has been exceedingly elastic, but this high degree of elasticity may have been lessened by the great additions to the stock of housing throughout the country during the past decade. Nevertheless, if the level of personal income remains high during the next several months, there undoubtedly will be a reasonably high degree of elasticity of demand for home mortgage loans as credit becomes more available.

"If the trend of general business activity follows the pattern suggested, we are likely to see additional steps by the Federal Reserve authorities in the next few months to ease the availability of credit. However, the monetary authorities will continue to pay close attention to the consequences of their actions with respect to the large deficit in our international balance of payments position and the outflow of gold, as well as with regard to avoiding the creation of excessive liquidity in the economy which would retard the effectiveness of monetary policy measures in the next expansion phase of the business cycle.

"By the end of the Spring, assuming that a general business recovery gets under way, interest rates should begin to edge upward again depending upon the vigor of the recovery and the extent to which monetary ease is reversed. The conditions which seem to be ahead of us in the capital markets suggest that interest rates will decline moderately in the Spring of 1961 and during the second half of the year turn up gradually to recover the ground lost during the downturn.

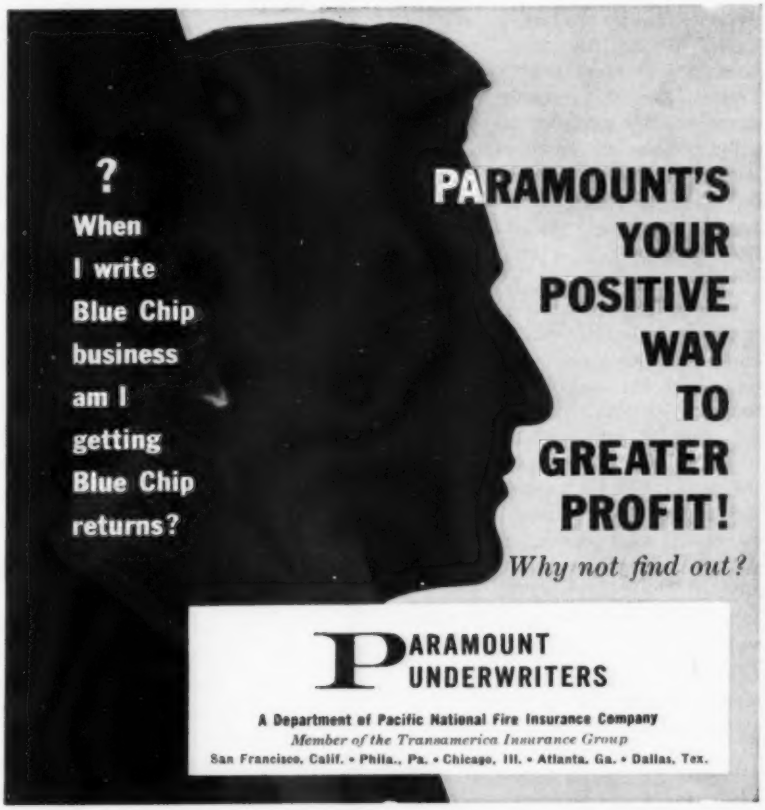
"Now for a brief look at the longer-run outlook for interest rates in the decade of the Sixties. Some capital market analysts are asking the question: Has the long upswing of interest rates during the past fifteen years just about run its course, and are we now entering a period in which both capital market forces and Federal policies will produce a prolonged decline of interest rates? My answer is in the negative because I believe that total capital demands during the Sixties will continue to press against available supplies and interest rates will generally tend to be firm at around the levels reached in late 1959.

"This view is based upon several basic economic forces which seem likely to be operating in the Sixties:

▸ Recent events in the United Nations confirm that the cold war will remain with us, and probably intensify, for the foreseeable future. This makes it virtually certain that Federal expenditures for military preparedness and foreign economic aid are likely to rise further in the next several years. We are just beginning the task of trying to win or maintain the friendship of the new African nations against the ruthless infiltration of the Communist bloc. Similarly, our task in Latin American countries seems more difficult. Our efforts to overcome the lead of the Russians in space are bound to mean accelerated Federal spending. Moreover, it is likely that Federal policies aimed at stimulating a faster rate of economic growth of the country, to keep ahead of the Communist countries and to demonstrate that our free economic system is better than theirs, will lead to rising Federal spending. There are serious dangers involved in this trend toward rising Federal expenditures, but it seems likely to occur.

▸ During the Sixties we have the prospect of a significant stepping up

(Continued page 43, column 1)



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People are borrowers as well as lenders—often at the same time—and generally are more conscious of their debts and carrying charges in the course of their everyday affairs. And many persons are more of a debtor than a creditor at certain periods in the life cycle, particularly so in the case of the average younger family in the early stages of a career and establishing a home.

Nonetheless, the public at large is far more a lender than a borrower when aggregates are considered. Figures show that at the end of 1959 people as a whole had interest-bearing assets of practically $455 billion in funds behind personal protection programs (life insurance, etc.), savings accounts and loans and investments, and total personal debts of $182 billion, a margin of two and one-half to one. The figures include nonprofit institutions, such as private schools and hospitals, as well as individuals.

As an indication of magnitude, the interest-bearing assets owned by the public at the end of 1959 exceeded the assets of the entire banking system by more than $170 billion, a margin of eight to five.

Thus interest is a two-sided coin as far as the public is concerned. Billions of dollars are received directly every year on savings accounts and other interest-earning investments. Furthermore, investment earnings contribute a fifth of the income of U. S. life companies annually, thus holding down the cost of life insurance, and are likewise an important factor in the operation of the nation's far-flung pension and retirement system, public and private combined, and the attainment of its goals.

There is likewise a preponderance of numbers in the ownership of interest-earning assets as compared with the debt side of the ledger. For example, there are over 115 million policyholders in U. S. legal reserve life insurance companies, representing practically two out of every three persons in the population. There are more than 120 million savings accounts, and the greater part of the working population is covered by public and private pension and retirement plans. With respect to debt, the Federal Reserve Survey of Consumer Finances indicates that about two out of every three of the nation's 57 million spending units have some personal debt. In almost half these cases the debt involves a nonfarm home mortgage.

The biggest single component in the Reserve Board's compilation of the public's interest-bearing assets is the classification of time deposits and savings shares. The total here was $155 billion at the end of last year, more than double the comparable figure in 1950.

Savings in life insurance, excluding insured pension funds, were the second biggest total, adding up to more than $87 billion at the end of 1959, half again as great as at the beginning of the Fifties.

Savings accumulated behind insured and noninsured pension funds, public and private combined but excluding OASI, showed the biggest rate of growth of all the people's interest-earning assets during the last decade. The total at the end of 1959 was just under $74 billion, more than three times the like figure in 1950. The expansion here has been paced by the consistent growth in private plans.

The dominant factor in the growth of personal debt over the past decade has been mortgage loans on one-to-four family non-farm homes, reflecting the record increase in home ownership in the period. Total nonfarm mortgage debt, primarily on homes, topped $125 billion at the end of 1959, more than three times the 1950 figure. Consumer loans at the 1959 year-end added up to just under $44 billion, close to two and two-thirds times the comparable total in 1950. The balance of personal debt, consisting of borrowing on securities and other loans, came to some $13 billion last year, more than double the 1950 figure.

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BLUEPRINT OF WHERE WE ARE



AND WHERE WE'RE LIKELY HEADED

WE HAVE just been through the peak season for economic forecasting. The public, like wild game in the open season, should be on guard. The economists were nearly as unanimous as the year before—but with a difference. Now their near-unanimity points downward for the period ahead — not deeply, nor for long—but still down. This consensus could be wrong — soothsayers are known to take in one another's washing. The error of direction could take one of three forms:

- We might be close to the turning point of the readjustment;
- We might go deeper and for longer;
- We might rock along at recent levels with no clear trend either up or down.

If economic forecasting is so feeble, hesitant and tentative, why listen to or read what economists have to say? But even in the absence of economists, the businessman, government and innumerable other individuals in responsible positions could not avoid forecasting; every major policy decision is and must be based on an evaluation of business prospects in general. Even when uncertain and in doubt, the careful economic weighing of the expansionist and contractive forces (both always being present) may, nevertheless, be of help to the policy maker.

Even though 1960 was something of a disappointment, actually year-ago appraisals of the outlook were not far off. Last year was our best year in terms of total output, employment and income, even though the gains were far from universal. There have been, are, and will be soft spots, particularly unemployment and profits.

The typical forecast was on the high side by only about 2 to 3 per cent. In spite of further adjustments to come, 1961 as a whole, should exceed 1960. There is at present no ground for sustained pessimism.

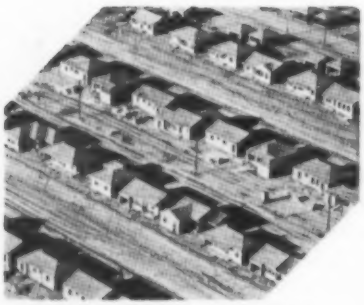
Whether we are now in a pause, recession, rolling adjustment or high level plateau is not easily determined; and this is not merely a matter of semantics. In 25 business cycles in the last 106 years, the expansive phase averaged 2½ years; October 1960 marked 2½ years since the most recent recovery began. Many indicators are down. But in 1960 we had the *highest* GNP in history and even the 4th quarter was some $10 billion above the same period of 1959, in constant prices—hardly what we generally think of as recession. Personal income reached an all-time high in October (annual rate) of $409.6 billion—a rise of $25 billion over October, 1959.

If the present consensus on the outlook turns out to be correct, we will be able to say that in GNP and other major measures, 1959 was better than 1958; 1960 was better than 1959 and 1961 will be better than 1960—

By **EMERSON P. SCHMIDT**
Director, Economic Research Department, U.S. Chamber of Commerce



"The growth of the money supply has been unsatisfactory from the standpoint of expectable growth rates of the economy".



In building . . . "the expected rise will be spread broadly across major sectors, including housing starts."

year-by-year improvement since 1958 —a rather good over-all performance. Yet a number of structural shifts within the economy are highly relevant. Let's look at steel, for example.

The recovery which started in April, 1958, was marred in early 1959 with a huge expansion and inventory build-up in anticipation of the steel strike; then, beginning in July, the 116-day steel strike caused a mild recession, a downturn in GNP and in other indicators. The end of the steel strike, in November, 1959, stimulated an inventory boom, leading to over 90 per cent of steel capacity operation in early 1960; to some extent the current decline is a reaction to that boom.

In the first quarter of 1960 total inventories increased at an annual rate of $11.4 billion (about the same amount as in the pre-steel strike quarter of 1959) followed by another rise of $5.3 billion (annual rate) in the second quarter. This added mightily to GNP, employment and incomes. But in the third quarter of 1960 total inventories did not change and will probably decline in the next six months; this means a slackening of GNP, employment and incomes. Now year-to-year statistical comparisons, for the foregoing reasons, are largely meaningless, making the outlook appraisal relying on recent shifts and trends, so much more onerous and hazardous, for both the economists as well as the businessman.

While most observers would not attribute our present slackness entirely to the steel strike, it has been a major factor in the readjustment through which we are now passing. For a large and key industry to shift within six months from over 90 per cent of capacity to under 50 per cent takes its toll.

There are several other factors which help to account for the current pause. Among them are three: the massive shift from deficit to surplus in the U. S. Treasury, the failure of the money supply to expand and the international balance of payment matter.

In calendar year 1958 we had a U. S. Treasury cash deficit of $7.3 billion, followed by an $8 billion deficit in 1959. In fiscal 1959 the deficit was $13.1 billion. This helped to shorten the 1957-58 recession. But in the first half of calendar 1960 the surplus was $8.2 billion. This movement from a $13 billion deficit to an $8 billion surplus represents a shift of $21 billion. Even in a multi-billion dollar economy such a shift in a major "industry," government, cannot help being on the side of contraction, in the short run.

In spite of the large Treasury deficit, the growth of the money supply has been unsatisfactory from the standpoint of expectable growth rates of the economy. Since 1957, except in the 1958-59 recession, the money supply has been down or stagnant, until the last few months. Demand deposits and currency stood at $138.7 billion at the end of 1957; but 2½ years later (June 1960) the figure was lower by three quarters of a billion dollars. This was a potent contractive force. The threat of inflation and our international balance of payments troubles largely account for this sluggish behavior of the money supply. The Federal Reserve Board has not just one, but several policy goals and responsibilities.

While the Fed has moved aggressively toward credit ease in recent months, the international financial situation has thwarted its action.

Thus, the inventory decumulation, the Treasury shift from deficit to surplus, the stagnant money supply and the international balance of payments bind, are together quite adequate to explain the recent behavior of the economy. Indeed, in the face of these obstacles, the strength and level of the economy are surprising.

With the exception of a few lines (autos and appliances, for example), inventories by now are not far out of line with current sales—less than $3 billion above year-end 1957, since which time our population, work force and the entire economy have grown. Steel consumption is exceeding production. But inventory movements take time to turn; therefore some further decline in the next six months is probable. In the last two recessions inventory decumulation extended more than a year. This is now a negative factor.

Raw material and wholesale prices as a whole are stable or soft. Spot prices, a good barometer of demand, are weak, the lowest in 10 years, and adversely affect many foreign countries which rely on one or two basic exports for their foreign exchange.

Plants and equipment expenditures, which reached a high peak in 1957, have recovered moderately from the subsequent lows, but in 1960 they did not reach boom proportions; therefore only a moderate decline of 5 to 8 per cent (McGraw-Hill Publishing Co. says 3 per cent) is expected from 1960 to 1961, yet the need for cost-reducing investments is urgent.

Total construction in 1961 should equal or exceed that of 1960. F. W. Dodge Corporation foresees a rise of 1 per cent in the value of construction, but a 1 per cent decline in physical volume of total building. Miles Colean and the Department of Commerce look for a rise of 4 per cent to 5 per cent in new construction to reach a new high level of over $57 billion; most of the rise will be in the public sector, even though it will be under one third of the total, with the expected private rise spread broadly across most major sectors including housing starts.



"There have been, are, and will be soft spots, particularly employment and profits."

If the European boom continues, our exports should hold close to this year's levels. Agriculture marketings and net income will be about the same as in 1960. Automobile sales, for the new model year, starting out strongly with the new products, more compacts and more reduced-size cars, should be close to those of the last year; but because of high current inventories, auto production may be lower in 1961 than in 1960.

The only major "growth" industry for 1961 is government. Total government purchases of goods and services by the end of 1961 will show a steady rise, quarter by quarter, since the first of 1959 right through 1960 and 1961 (except for a small decline in the fourth quarter of 1959). More state and local government bond issues have been approved this year than ever before—involving expenditures which will carry over into 1961. Of the estimated rise of $8 to $10 billion in government purchases of goods and services from the first quarter of 1960 to the final quarter of 1961, some 60 per cent will be at the state and local level. Any substantial increase in national government expenditures, whether national security or other, could raise these totals and shrink the state and local as a proportion of the total.



"The only major 'growth' industry for 1961 is government."

The budget of fiscal 1961 probably will show a deficit, to be followed by a larger deficit in fiscal 1962, for which the squeeze of corporate profits will be heavily responsible.

Loan funds will be relatively more abundant in 1961, and interest rates should be lower. On the plus side is the subsidence of inflationary psychology, for the time being; this has encouraged greater credit ease and somewhat lower interest rates—the latter confined largely to the short-term money market, so far. Quite early, as long ago as March and April of 1960, the Federal Reserve Board began to take numerous steps to improve bank lending capacity; while our continued international balance-of-payments difficulties may impair additional credit ease, the early and continued moves by the Fed will probably continue the credit ease, even though the international balance-of-payments is against us. Commercial bank debts at the Federal Reserve Banks have declined by 85 per cent in the last 12 months and free reserves have risen substantially, putting the banks in a stronger lending position.

The need for further growth of the money supply is urgent if monetary policy is to help put a floor under recessionary tendencies, even though there has been a rise of over $3 billion (unadjusted) since early summer. The current credit situation is a strong plus shift, but only of very recent origin in any substantial sense.

If all of the foregoing is a reasonably accurate assessment of the current situation and the prospects, the 1960-61 readjustment will be mild. From late 1960 to mid-1961 GNP will decline by only 1 or 2 per cent. Personal income and disposable income will decline even less.

The retarded economic growth plus growth in the work force will increase unemployment, particularly evident in the first quarter of 1961. Undue wage-fringe increases, resistance to removal of uneconomic work practices, and a rise in the legal minimum wage would price more persons out of employment. Unemployment is likely to average higher than in 1960, and be troublesome.

But unsettled world conditions, our international balance-of-payments troubles and a new Administration in Washington may alter the trends. The art of forecasting, feeble at best, cannot fathom these unknowns.

For Savings & Mortgages This Seems to Be T

AN UNIQUE aspect of economic forecasts made a year ago was their virtual agreement that the course of business activity was headed strongly upward through 1960. The only questions debated were how rapid the upsurge would be and how far into 1961 it would extend; the only fear expressed was whether growth could be maintained without renewed inflation. In large part this judgment was influenced by the expected aftermath of the steel strike and the needs of business to restock depleted inventories. As 1960 closed, it was clear that neither the forecast, the questions, nor the fear were realistic. Our economy on balance, moved forward very little and prices were relatively stable.

Now, once again, the economic outlook is characterized by the usual uncertainties, and the forecasts by their usual disagreement. Disagreement on where business is headed is nearly matched by disagreement on where it is now. We are told variously that the economy is in a recession, a period of gentle readjustment, a pause in economic growth, or perhaps on a temporary high level plateau. Nor does the uncertainty end here. For observers differ on whether we have just entered upon one or another of these economic periods, have been in one for several months, or are just emerging from whatever we have been in. How one answers the questions of where we are, how long we have been there, and how we got there will influence one's judgment on where we are going.

As to where we are now, when semantic differences are stripped away, it seems apparent that business is in its fourth postwar recession. I use this characterization in the narrow sense of an economy receding from previous levels of activity, as measured by such a broad aggregate as output of goods and services, production from factories and mines, manufacturing employment, business sales, and business and consumer spending. Declines in these areas, to be sure, have been quite modest, though with an expanding labor force, have resulted in one of the highest unemployment rates in the postwar period. All of this spells "recession" to me and now that the political campaign has ended, perhaps this word can be brought back into use without precipitating widespread misunderstanding or suggesting imminent economic collapse. It is unfortunate that our economic language is not more precise so that a basic word has the same meaning to all.

As to how long we have been in recession, the National Bureau of Economic Research, perhaps the nation's most careful observer of business cycles, has tentatively placed the beginning of the present decline in May of 1960. If this timing is verified by business history it will mean that the preceding expansion was the shortest since the war—about 25 months compared with a range of 35 to 45 months in the three earlier business expansions. This highlights the fact that in a dynamic free enterprise economy it is risky to call the turn in business activity on the basis of past experience alone.

While the duration of the last business rise differed markedly from preceding ones, it is significant that the present recession was triggered by the same force as each of the earlier postwar recessions—the shift in inventory policies of businessmen. This shift did not, of course, occur autonomously but in response to changed expectations on the business outlook. Consumer optimism substantially deteriorated, unusually high levels of consumer debt and repayment obligations discouraged further borrowing, outlays for consumer durables and housing turned down, retail sales lost their buoyancy, and corporate profits were disappointingly low in the face of the continuing cost squeeze.

In this environment, businessmen found they had overestimated their inventory needs, particularly of finished goods, and from a near record annual rate of accumulation in excess of $11 billion in the first quarter of 1960, added no inventory on balance in the third quarter and probably showed a substantial net reduction in the fourth quarter. All in all, the downward pull on the economy resulting from business inventory shifts probably was on the order of $13 to $15 billion between the first and fourth quarters of 1960. At the same time, business had second thoughts about its capital spending programs and failed to realize earlier plans for expansion and modernization. While capital outlays were considerably higher last year than in 1958 and 1959, they apparently leveled off at a rate below the 1957 record.

The nation's money and capital markets soon reflected these basic changes in business. Expectations early in 1960 of continued financial strin-

Be The Shape of Things

And that shape seems to have the following dimensions: We are well into our fourth post-war recession and there isn't much reason to think that at this moment conditions will change greatly. Inflation is one thing, however, that does not seem to be a pressing problem now. As for housing, there appears to be little possibility of any increase over that of 1960, in fact, there could be a decline—and Mr. Klaman, in view of the many conflicting factors in the picture right now, is one person who declines to make a specific forecast of how many housing starts will be recorded for 1961.

gency gave way to the realization of monetary ease. Reduced demands for funds from businesses and consumers were reinforced by a shift in the net federal budget position from an operating deficit of over $12 billion in fiscal 1959 to a small surplus of about $1 billion in fiscal 1960. Overall, net demands for external financing through all types of credit and equity instruments—mortgages, consumer credit, federal and state and local obligations, corporate securities and bank loans—declined from a record $44 billion in the first three quarters of 1959 to little more than half that amount in the comparable period of 1960. The likelihood is that 1960 as a whole saw the smallest net flow of funds through the economy since 1956.

Such a reduction in borrowing demands in the face of a high and rising volume of savings could have only one result — a drop in the price of money. Interest rates declined from peak levels reached early in 1960, most substantially in the short term area. Long term rates have also come down significantly and recently mortgage interest rates, traditionally sticky and subject to narrower fluctuations than other rates, have been under pressure. It is my judgment that the downward adjustment of mortgage rates will continue into 1961 even if other long term rates stabilize or turn up.

As interest rates have changed in response to business conditions, so has the pattern of individuals' savings. 1959 reminded us dramatically that individuals shift their preference for the various forms of saving in response to changes in interest rate spreads and changing needs for liquidity. Additions to liquid savings — time and savings deposits, savings shares, and savings bonds—fell in that year to $9 billion from $14 billion in 1958 while purchases of marketable securities, accompanying the rise in yields, soared from little over $1 billion to around $13 billion. At the same time consumer confidence in their own and the nation's economic future was reflected in their assumption of nearly $20 billion of net new debt in 1959, double the amount incurred in each of the two preceding years.

Last year saving and debt patterns were reversed again, as the fear of inflation subsided, and interest rate spreads between securities and savings

By **SAUL B. KLAMAN**

Director of Research, National Association of Mutual Savings Banks at their Mid Year Meeting in New York



accounts narrowed. While the record is not completely in yet, it is apparent that individuals saved considerably more in financial institutions in 1960 than in 1959 while reducing their purchases of marketable securities by perhaps two-thirds from the unusually large 1959 amount. Additions to mortgage and consumer debt last year, moreover, probably were at least one-third less than in 1959 as consumers reduced their spending for housing and durable goods.

These fundamental changes in money rates, debt, and savings patterns, have not been without their effect on mutual savings banking. Since last summer deposit inflows have been well maintained and withdrawals have declined relative to a year earlier. The third quarter of 1960 was the first in five quarters that net deposits, excluding interest credited, increased. Considering what happened in October 1959 when the Magic Five's made their appearance, it is no surprise that savings banking fared much better this October. Early returns for November suggested that the net deposit gain was substantially larger than the $100 million total of a year ago. For 1960 as a whole, it is likely that net deposit inflows, including interest credited, approximated $1.5 billion, about one-fourth more than the 1959 net gain.

What about savings bank investment policy in the changing business environment of 1960? It has continued to reflect the ability and willingness of management to respond promptly to new market forces within limits set by deposit inflows and needs for liquidity and safety. As in all preceding years of the past decade, mortgage acquisitions dominated savings bank investment patterns. Within this broad pattern, however, significant differences are apparent.

Typically in periods of capital market stringency, savings banks reduce their mortgage acquisitions and expand corporate security purchases as yield relationships change. In 1959, however, the combined effect of an unusually large backlog of mortgage commitments and the precipitous drop in deposit inflows produced a somewhat different response to capital market stringency than in earlier years. Savings banks reduced their mortgage investments only moderately through the year as previous commitments were taken up, and instead of adding substantially to corporate security holdings as yields rose, were net sellers on balance for the first time since 1955. These sales provided funds for mortgage purchases supplementing net deposit gains and net sales of government securities.

The improved deposit situation in recent months permitted savings banks to respond actively to the changed investment environment. Unlike 1959, the industry increased its mortgage acquisitions quarter by quarter as yields on competitive investments have declined. For the year as a whole, additions to mortgage portfolios may be slightly larger than in 1959; by year-end, mortgage holdings will amount to two-thirds of savings bank assets compared with little more than one-third a decade earlier. In contrast with 1959, savings banks have been net purchasers of corporate securities this year though in much smaller volume than in 1957 or 1958. Corporate bond yields have declined significantly less in 1960 than yields on U. S. Government securities—particularly short-term Governments. Partly as a result of this, savings banks sold more governments on balance in the first 10 months of 1960 than in any full year back to 1951, the year of the Federal Reserve-Treasury accord. Net sales were upwards of $600 million in 1960, compared to the range of $300-$500 million in preceding years back to 1951 when a record $1 billion of governments were sold. If this estimate for the current year is realized, savings banks will have reduced their holdings of Governments to less than 16 per cent of assets compared to almost 50 per cent ten years earlier.

What will the savings and investment pattern of mutual savings banking look like in 1961? Clearly it will be influenced, as in past years, by developments in the nation's business and financial markets as well as by special local factors in savings bank areas. Savings banking has increasingly assumed national significance. It has in the past several years provided more funds for federally underwritten mortgages than any other type of lender; it has financed private business and local government capital spending programs on a broad scale; it is a significant holder of U. S. Government obligations.

The impact of government on economic developments, and hence on savings banking, is also fundamental. The new political environment in Washington beginning this month raises new questions with respect to monetary and fiscal policies, housing programs, and related economic activities. The usual uncertainties surrounding any business forecast are enhanced by the uncertainty of how a new Administration will conduct its affairs. But any new Administration will at least be guided by the business climate it confronts.

What then can be said about the business climate for 1961? The picture that emerges is that of a saucer shaped curve of activity rather than the "U" or "V" shaped curves of preceding postwar cycles. This picture implies under-utilization of our industrial resources, under-employment of an expanding labor force and hence a failure to realize our full production potential. Full employment of men and resources at current rates of productivity would mean perhaps an annual rate of GNP, at current prices, of from $550-$575 billion by the 4th quarter of 1961. Prospects are that actual output will fall short of this potential, reaching perhaps $515-$525 billion from a low early in the year of $500 billion or slightly less.

In such an environment, inflation is not likely to be a problem in 1961.

What are the main factors in the private investment, consumer, and Government sectors that support a judgment of a saucer shaped course of business activity through 1961? Overall, the character of the readjustment we have had so far and the nature of the 1958-59 expansion suggest that no large cumulative distortions have crept into the economy. The need for basic correction is not great and any continued downward movement in business should be mild. There is little on the horizon to indicate that a vigorous upturn is in the making. On the investment side, expectations are that business will reduce only slightly its capital outlays for next year. The 3 per cent decline shown by the recent McGraw-Hill survey, if realized, would mitigate against any protracted or deep drop in business activity. But it clearly pro-

vides no uplift to the economy in 1961.

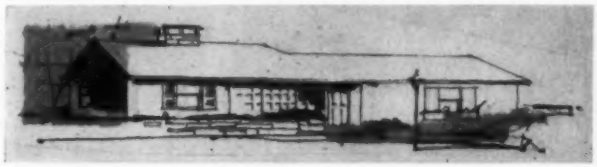
With respect to business inventory policies—which, as noted, have been a major unsettling force in the economy—the rate of accumulation has already been sharply contracted since early in 1960. Past experience suggests that there will be some decumulation in coming quarters before a new build-up begins. The change in inventories through 1961 is not likely to be as great as in 1960 with consequent less disturbing effects on the economy.

Prospects in the key investment area of housing also support the judgment of modest economic change in 1961. I have maintained for some time that it is not for lack of credit that housing activity has declined so markedly in 1960. Ready availability of credit on increasingly liberal terms has failed to provide the stimulus to housing that it did in earlier periods of monetary ease. For the fact is that the underlying demand situation has weakened, following more than a decade of high level building. Housing vacancies in rental units have risen to a postwar high of 7.6 per cent, reports of completed but unsold houses are common, and sales of existing houses have slowed perceptibly.

Perhaps the key lesson of 1960 is that housing can no longer be counted on to play its usual contra-cyclical role in the economy; that until the population upsurge is upon us in the mid-1960's, housing demand need not always be responsive to the magic hypodermic of ample and easy credit. If this is a fair assumption I would not be surprised to see no gain in housing this year nor even a small decline. Incidentally, the way the new housing starts series has been bouncing around these days, one is foolhardy indeed to make a specific housing forecast.

On balance, therefore, the investment sector of the economy—the most dynamic and volatile part—will exert a narrowly limiting effect on business in 1961, on both the upside and downside. Nor does the consumer sector appear to be especially buoyant this year. With unemployment uncomfortably high and not likely to improve soon, and fears of inflation abated, consumers will not be disposed to increase significantly their purchases of durable goods. At the same time consumer optimism, which deteriorated substantially in the first half of 1960, leveled off in recent months. If the automobile market continues to hold up well, it will provide an important underpinning. In any event, further declines in total durable goods purchases, following the drop in the third quarter of 1960, are likely to be modest; such declines will be more than offset, moreover, by increases in consumer spending for nondurables and services as personal incomes are maintained.

Yields on mortgages, even if they decline further, are likely to remain favorable compared with corporate securities. External demands for funds by corporations will be lower than in 1960 as capital outlays are reduced and as the accumulation of depreciation reserves continues to generate a substantial internal cash flow. . . . On balance, mortgages will continue to be the preferred investment this year (for savings banks). If good loans should become available in greater volume than the inflow of deposits, then U. S. Government



portfolios would probably continue to be reduced to provide supplementary funds, though in considerably smaller volume than in 1960. With a new Congress convening, one can never tell what new stimulative mortgage and housing programs may be forthcoming. . . . A new omnibus housing bill is sure to be introduced, likely to encompass programs concerning secondary mortgage market facilities, urban renewal, middle-income housing, liberalization of credit, community facilities, additional funds for FHA, and other related as well as unrelated matters.

Perhaps the most certain area of expansion on the business horizon is in the government sector, including both federal and state and local. Expenditures at the state and local level for schools, highways, etc., seem pointed ever upward and, in the recent election, voters approved an additional $3 billion in new bond issues. At the Federal level, national defense expenditures recently proposed for 1961 by the Eisenhower Administration are above 1960, and under the new Administration these proposals may be increased. Estimates of other Federal expenditures have also recently been revised upward by the Budget Bureau and the proposed total of $80.4 billion for fiscal 1961 is $3.2 billion more than expenditures in fiscal 1960. Expectations are for a further rise in fiscal 1962.

The question being widely debated, of course, is how much the new Administration is likely to increase Federal spending and indeed just what changes may be expected in general monetary and fiscal policies? Apart from other considerations, it is fortunate that the transition between Administrations is being made at a stage in the business cycle when the appropriate monetary policy is one of ease—a policy which would likely be followed regardless of the party in power. Moreover, international balance of payment problems and heavy gold outflows are providing a discipline for our domestic monetary and fiscal policies that no responsible leadership can ignore. The president-elect has stated firmly his determination to maintain the value of the dollar in international markets. The maintenance of sound currencies and relatively high interest rates abroad, therefore, will deter any responsible U. S. administration from excessively easy money policies, imprudent spending, and long unbalanced budgets.

With respect to management of the federal debt, two important matters which might be approached differently by the new Administration than the preceding one, relate to advance refunding and the interest rate ceiling on government bonds. In the large scale September advance re-

funding, about $3½ billion of 3½ per cent long-term bonds were accepted by private investors in exchange for the war loan 2½'s.

While the principle of advance refunding was accepted by both political parties, the actual operation subsequently came under criticism by some Democratic members of Congress because of the higher interest rates offered in the exchange. It would be unfortunate if this view prevailed in the new Administration for the advance refunding technique has proven its worth. A significant extension of the Federal debt was accomplished, the breadth of the Government securities market was expanded by adding a tradeable supply of new long bonds, and long term holders were kept invested in the long-term market. All of this at a modest cost.

The decline in interest rates last year temporarily removed the market problems associated with the 4¼ per cent ceiling on long term government securities. Despite its persistent efforts, the Treasury did not succeed in convincing Congress to remove this archaic control in either 1959 or 1960. If the new Treasury team reflects the prevailing Congressional opinion, even the efforts will be abandoned. It is to be hoped, however, that when the issue has to be faced again—as it surely will—it will be considered solely on its own merits. Flexible debt management, and efficient operation of free money markets, cannot be maintained with an artificial interest rate ceiling imposed on one type of Federal debt instrument.

In any event, if the economic climate projected for 1961 materializes, the ceiling will not be a problem through most of the year. While the major part of the decline in interest rates is behind us, there is little reason to expect an imminent upturn. Indeed I would look for some further downward adjustment in mortgage rates, as other rates are maintained at around present levels. Increased demands for funds later in the year accompanying a business upturn may lead to a moderate rise in interest rates which will not carry to the late 1959-early 1960 levels.

In an environment of generally favorable business, with interest rates changing little, and inflationary fears dormant, what is likely to be the impact on savings bank deposit inflows, investment patterns, and earnings? Based on deposit experience in recent years of recession and recovery, it is reasonable to expect the upturn in 1960 to continue into 1961. While it is hazardous to place a dollar estimate on so uncertain and volatile an area, I look for a net deposit gain next year of upwards of $2 billion, larger than in any other year except 1958 when the net gain was $2.3 billion. The 1961 estimate, however, implies a "net new money" gain of about $750 million, considerably less than in 1958 or in most preceding years back to 1952.

May be "aggressive seeking of loans to put funds to work"

With about a $2.5 billion inflow from mortgage repayments — including amortization, prepayments, and payments in full—savings banks will have approximately $4.5 billion to invest in 1961, considerably more than in the two preceding years. Bond maturities will provide an additional source of funds for investment. It is the perverse nature of the savings banking business, of course, to have an increased availability of investable funds at a time when investment opportunities are least favorable—that is when yields are relatively low. In seeking productive outlets in this climate, moreover, savings banks — as other mortgage lenders—may be confronted with a less than buoyant mortgage market.

This would be an unique situation, compared with earlier periods of credit ease. In 1954 and 1958, for example, mortgage demands were exceptionally strong and savings banks increased their net mortgage acquisitions by one-third and one-half respectively over preceding years. This kind of increase in 1961 over 1960 will be difficult to achieve if the overall demand for mortgage loans continues at about present levels. With savings flows to other institutions likely to increase in 1961, and with new entrants into the mortgage market such as pension funds, competition for mortgages should be keen. The situation will call for an aggressive seeking of loans to put funds to work.

But the desire to invest funds productively should clearly not override the need to maintain the quality of credit, traditionally high at savings banks. National Association data on mortgage delinquencies show that rates have been extremely low through both periods of recession and expansion. Figures for the quarter ending September 30, 1960 show average delinquency rates of one-half of one per cent or less for FHA, VA, and conventional mortgage loans, not much different than in preceding years. There is, of course, substantial variation in delinquency rates among geographic areas.

Yields on mortgages, even if they decline further are likely to remain favorable compared with corporate securities. External demands for funds by corporations will be lower than in 1960 as capital outlays are reduced and as the accumulation of depreciation reserves continues to generate a substantial internal cash flow. If the supply of corporate offerings is reduced in 1961, savings banks may find U. S. Treasury securities relatively more attractive than in other recent years as a supplement to continued large mortgage acquisitions. The reduction in holdings of Governments was unusually large in 1960 and while the present ratio to assets is still high relative to that of other long-term investors, the desire to increase liquidity may lead to greater purchases of short-term Governments.

On balance, mortgages will continue to be the preferred investment this year. If good loans should become available in greater volume than the inflow of deposits, then U. S. Government portfolios would probably continue to be reduced to provide supplementary funds, though in considerably smaller volume than in 1960. With a new Congress convening, one can never tell what new stimulative mortgage and housing programs may be forthcoming. In this regard, it is highly important that savings banks follow closely developments on the Federal legislative front.

A new omnibus housing bill is sure to be introduced, likely to encompass programs concerning secondary mortgage market facilities, urban renewal, middle-income housing, liberalization of credit, community facilities, additional funds for FHA, and other re-

(Continued page 42, column 2)

President's Page

A YEAR TO ANTICIPATE, ONE LIKELY WE'LL REMEMBER

THIS new year is beginning under quite different circumstances than 1960 opened. Then the forecasts were almost uniformly optimistic as to what was ahead in the new year and the coming decade; this year they are not uniformly pessimistic by any means but to say the forecasts are subdued, cautious or muted in tone is to put it mildly. For the fact is that, as 1961 opens, the consensus is that the country is in for some degree of recession, one that had its origin in the year just closed. But the consensus also seems to be that it will be mild and that, before mid-year, we will have begun to show some substantial recovery. That's briefly how I see it, from what I hear and read and the impressions I gather.



Robert Tharpe

Mortgage banking this year would appear to be in a somewhat peculiar position, one that we haven't experienced too often in the past. Our industry seems to be in a better position for 1961 than the general economy—too often it has just been the reverse. There isn't space for detailed analysis but some of the principal facts for 1961 which we can count on are reassuring.

We can anticipate a good year in private residential building in the neighborhood of 1,300,000 starts, making it one of the best years we've had. This year should have a look of normalcy about it such as not many in the recent past have had—and it's something which we, our builder friends and everyone concerned should welcome.

The savings institutions have been experiencing impressive increases in deposits which means more funds for investment—and that's surely a most favorable development. Thus, there will be no shortage of funds; rather there will be ample financing for all merited and worthwhile needs.

For the mortgage originator, some of the artificial burdens he has had to carry will be lighter, and others will disappear. It will be a year of good active demand for loans—with the problem one of supplying the demand.

The conditions under which mortgages are originated and placed in permanent investment—the rates, prices, terms, etc.—seem likely to show a better balance than we have known for some time, all of which adds up to conditions which are good for us and good for the general welfare.

These, then, are some general impressions I have from numerous meetings over the country in the past two months, conferences in the capital and visits with many investing institutions. Each one is subject to exhaustive elaboration which would not, in my opinion, alter the general conclusion. Thus, as I see it, 1961 looks like a promising year for our industry—though I am viewing it with slightly guarded optimism.

Note that I have mentioned nothing about international matters, a sector of this country's affairs which could well be a far more important factor in our lives than any other one thing or combination of things. We can only hope that our government will make the right decisions at the right time in these matters and I firmly believe that it will. Shortly after these words are printed, we will have a new administration—one with many new personalities. From what the country has seen since the election this new administration deserves our full and complete confidence. Within our own area of activity, we can expect changes, innovations, some new ideas and experiments and possibly some excursions into heretofore untried fields. But whatever is coming deserves our careful consideration; and it is my opinion we are all going to find rather quickly that our new administration is conservative without being hidebound, liberal without being radical, forward-looking without being impractical.

Sincerely,

Robert Tharpe

PRESIDENT

One Problem That



FOR MONTHS—even years now—a change has been in the making in our economic situation which will have a penetrating effect on both our foreign and domestic policy. It stems from our relations, economic and otherwise, with the rest of the world. I believe these are deeper and more comprehensive than we have yet imagined.

There are many points at which we can come to grips with our changed relation to the world. Perhaps the most familiar is in terms of the strength or scarcity of the dollar. For most of our modern history the dollar has been a currency of rare strength derived from an often uncomfortable scarcity. This scarcity has been the result of a persistently high demand for American goods and services in other countries and a recurrent difficulty in selling foreign goods here, or—given the interruptions of war—in finding them to sell. Since World War I the shortage of dollars has been accentuated by the need to find them to service indebtedness to the United States.

In the last 10 years things have changed dramatically. Until the end of 1959 our sales of products and services were at best constant. Our purchase of foreign products was rising moderately. Our payments for foreign services, which include those to our armed forces abroad, have been very high and rising. In 1959 nothing was left over to cover government grants for military and economic aid of some $2.5 billion or private and public capital exports of $2.8 billion. After subtracting some other items accruing in our favor, we had a net deficit of $3.8 billion. This was the most recent in a long series of such deficits. The cumulative result is formidable. At the end of 1952 the gold stock, less foreign dollar holdings, totalled $11.5 billion; by June of 1960 the gold stock less the liquid dollar holdings of foreigners was minus $3.3 billion. This was a net deterioration over the seven and a half years of $14.87 billion.

In two respects these figures exaggerate the problem. Among the items contributing to the imbalance, as noted, are long-term capital exports—investments by American individuals and firms in foreign countries. This means that the short-term claims on the United States are partially offset by long-term claims on other countries. And in 1960 our exports of goods and services have been rather better than in 1959—in recent months they have totalled $1.5 to $1.7 billion as compared with a monthly average of $1.36 billion in each of the last two years. But the deficit in our international accounts will again be very large, especially when increased capital exports are counted in.

These deficits cannot continue. Were they to do so they would es-

t Must Be Solved

Technically it's the deficit in U. S. balance of payments. More specifically, it's the problem of maintaining the dollar



By **JOHN K. GALBRAITH**

A big event of 1960 was one that was a long time coming. Many people had seen it coming, had predicted it would and projected blueprints of just how it would develop—yet when the time came, there was surprise, chagrin and more than a few quick-trigger solutions as to what should be done about it. It was the crisis of the dollar, our adverse balance of payments and the huge loss of gold. The solution has not yet been found but initial steps have been taken to again attain the balance we must have. Here are the things Dr. Galbraith thinks we must do. He is the Paul M. Warburg Professor of Economics at Harvard University and addressed his opinions to the American Association of Land Grant and States Universities where, he pointed out, he was speaking only for himself—not as "an adviser to important people," as he phrased it. The reference is of course to the fact that he was prominent during 1960 as an adviser on various economic matters to President-elect Kennedy.

tablish a top-heavy volume of claims against our economy—one which, were they withdrawn or partly withdrawn could cause serious complications here at home and gravely undermine our ability to sustain our payments abroad. On our ability to make such payments our foreign position and policy depend. Our foreign policy has always depended less on the skill of our diplomats than on our ability to back it, as needed, with money.

The solution is one that to a remarkable degree unites what we have hitherto considered diverse and separate aspects of our national policy. Military strategy is obviously involved, for different deployments of our forces will have substantially differing effects on our dollar outlays abroad. So is our policy on military aid. So also is our policy on economic assistance; and our ability to negotiate access to overseas markets. But this is not a problem that begins or ends at the water's edge. No line divides foreign and domestic policy. Our ability to sell abroad, or to meet foreign competition here at home, depends on our ability to control inflation; and on the stability in underlying wages and prices, and on our rate of technological advance, and even on the nature of our farm policy. Indeed, there is scarcely an aspect of our economic policy which is not in some measure involved.

This raises the first of the problems we encounter in looking toward solution.

Our habit in these matters—academic as well as political—is to departmentalize things. Our military stance is a military matter for the military specialist. The civilian intervenes with a well-developed sense of his own peril and the knowledge that he may well be accused, in his ignorance, of jeopardizing national security. Domestic economic policy is something between the unions, the corporations and the Congress. Or it is in the professional province of the specialist on domestic economic issues—on monetary and fiscal policy and the nature of wage and price-making. In recent times foreign aid has developed its own mystique; there are those who understand its relations to a modern foreign policy and those who do not. The first rise automatically to its defense; suggestions from others are automatically suspect.

Is there not some secret design to pare it down?

Indeed, not only is it our habit to compartmentalize such debate but it is badly poisoned by the suspicion, or the fact, or ulterior motive. Some past civilian intervention in military planning has been for the plain purpose of cutting outlays, and, hopefully, taxes.

The threat of foreign competition is the oldest device for flogging the unions. Those who have told us that we cannot afford foreign aid have, in many cases, not wanted to afford much of anything. Many have long been attracted by the idea of using foreign policy as a way of smuggling in needed or desired domestic change —or reaction. What cannot be sold on its own merits becomes necessary because of the Russians. So, as though our problem were not otherwise sufficiently complex, we must additionally apply a saliva test for self-interest. Fortunately, as a nation, this is an exercise in which we are not unlearned.

We shall have some interesting examples of ulterior motive in proposals to deal with the dollar problem as the discussion sharpens in the months ahead. Some will say that we need only adopt the most conservative of all policies to insure a return to balance. Providence, it will be held, awards its prizes in economic affairs to those who inflict the maximum of suffering on their poorer citizens. So let us raise interest rates, cut back needed public spending, apply the pressures of unemployment to the labor unions and of a buyer's market to business and let us pare our economic aid to the bone. Then all will be well. The state of semi-depression here at home will keep the unions docile, wages low and prices competitive —and high returns to capital will cause holders of liquid assets everywhere to have the warmest possible thoughts of New York.

But, though I count myself a liberal, fairness requires me to guess that some will also hold that if the domestic economy is suitably flourishing—if we have high and improving employment and a suitable rate of growth—the balance of payments will automatically take care of itself. Economic health at home means economic health abroad. Unfortunately prosperous countries, enjoying full employment, can have balance of payments problems. And if they must meet, as we must, a heavy burden of military obligations abroad, it is likely that they will. We are faced not with a problem in attitude but in arithmetic. It is not one that is changed by a change in Administration.

I have suggested that solution will require a unification of economic, diplomatic and military policy. Let me suggest, partly by way of example, what will be required.

It is central to our strategy that we expand our exports and to see that our products are competitive in our own markets. We cannot accomplish the latter by restricting imports; that will only bring retaliatory action against the exports we must have. But we can and must look to our costs. Thus the competitive ability of an industrial company depends, among other things, on an efficient and low-cost supply of steel. In recent years our steel prices have become uncompetitive. As a result, in steel and steel products, we have been losing out in third markets, and even here at home. So the dollar problem is closely involved with price and wage making in the steel industry. I would hope, incidentally, that this might be a consideration in any steel price change that might now be in the making.

And more generally the constant upward thrust of our industrial prices is no longer a purely domestic issue. The country that leads the inflation parade, as we have in a number of important industrial prices in these last years, keeps itself at a constant competitive disadvantage. For the future, we must make sure that we lag, not lead.

Our dollar position extends to our farm policy for, while some of our industry is running into competitive difficulty in foreign markets, our leadership in agricultural efficiency is still unchallenged. We ought not sacrifice this advantage by a system of price supports that prices us out of overseas markets. There are ways of supporting farm income—for example the techniques employed now for sugar and wool—which do not do so. The choice is no longer a purely domestic matter.

Finally, one need hardly say our monetary policy is related to the dollar problem. As a considerable holder of what amounts to demand deposits, we must behave in a manner designed to inspire the confidence of depositors. This does not mean, as I imagine some may have hoped, that our interest rates must always be higher than those of any other country. It does require that we move our interest rates in reasonable concert with others, and a measure of common management in monetary policy must now be a prime goal of the major industrial powers. There are surely few matters on which we have more to gain by intelligent co-operation.

Needless to say, we must exclude all talk about devaluation. It is not, in fact, a remedy that survives any serious thought.

Next, we cannot escape the problem presented by our large overseas outlays. Were it not for these our



"These (balance of payment) deficits cannot continue. Were they to do so they would establish a top-heavy volume of claims against our economy—one which, were they withdrawn or partly withdrawn, could cause serious complications here at home and gravely undermine our ability to sustain our payments abroad. On our ability to make such payments our foreign position and policy depend. Our foreign policy has always depended less on the skill of our diplomats than on our ability to back it, as needed, with money."

position would be very strong. Our deployment of military force has long been subject to the budget—to what we are prepared to spend for national security. In the future it cannot be entirely independent of balance-of-payment considerations. I should like to be clear about this; I am not urging withdrawal from Europe or Korea.



". . . we must exclude all talk about devaluation. It is not, in fact, a remedy that survives any serious thought. Next, we cannot escape the problem presented by our large overseas outlays. Were it not for these our position would be very strong. Our deployment of military force has long been subject to the budget—to what we are prepared to spend for national security. In the future it cannot be entirely independent of balance-of-payment considerations . . . where once we sought the best deployment for the money, in the future we will have to seek the best deployment for the dollars."

But I am saying that where once we sought the best deployment for the money, in the future we will have to seek the best deployment for the dollars.

We must give ever closer attention to the security we buy with the scarce dollars. In 20 countries around the world, suburban America has been reproduced in large and agreeable cities with well-stocked commissaries and a far better servant situation than in Scarsdale, New York. Is it possible that some of these cities date to the time when dollars were not scarce but all too plentiful and when it was good sense to make them widely available? Once again the intrusion of economic calculation is unavoidable.

It is also unavoidable in our diplomacy. Since the war American policy toward Europe has looked with much sympathy on the development of larger and stronger trading communities.

I haven't made a complete list of the policies which bear upon the dollar problem. I have sought to show how pervasive, in the months ahead, will be its influence. And one could go on to smaller details. Perhaps it will affect our attitudes toward visas for foreigners for increased tourist spending here is one possible offset for our considerable tourist outlays abroad. It has already affected our view of trade with the Soviets. Exports to Russia which once were examined with such meticulous care lest some damaging gadget might end up in Bolshevist hands or some critic of the government be led to suspect softness on communism, were $22.4 million in the first eight months of 1960. That is to be compared with $7.4 million in all of 1959.

Now for two final observations. One item in our balance of payments which is certain to come in for special scrutiny is foreign economic aid. It is not a large item; among the great aggregates with which we are dealing, it is rather small. But, as there is an old view that the budget of the United States government can best be balanced by saving money on the Bureau of Labor Statistics, so economic aid will always present itself to some as the outstanding candidate for economy in overseas expenditures.

I would hope that this tendency might be resisted. This aid remains our greatest initiative in post-war foreign policy. It is fundamental for our esteem, and maybe also for self-esteem. It unquestionably should be shared as it has been and will be. But nothing could so damage us the world around as a policy that sought to sustain our military power at the expense of efforts to aid the poor people of the poor lands.

Yet I would hope that liberals, including liberal educators, would not consider economic aid in its present form to be wholly sacrosanct. For, as with troop deployment, the techniques of farm price support or our policy on tourists' visas, we cannot be sorry for anything that requires us to take a second look. In recent years we have been too ready to persuade ourselves of a simple and direct relationship between pecuniary expenditure and economic progress. In fact there is no close relationship. And certainly there is no assurance that economic aid, however ample, will lead to orderly and progressive development.

Economic and social development is a product of many ingredients. Money was not the missing ingredient in Cuba; things would not have been improved there by more economic aid. They would have been helped by a strong and unqualified stand in support of representative government, individual liberty, and economic and social justice. Israel is economically one of the most progressive countries in the world, but not because of its great capital resources. Favored though it is by its supporters and friends, its situation is far less good than that of its oil-rich neighbors.

Finally, one is tempted to wonder if a determined and effective solution of the dollar problem—and we can settle for nothing less—won't require some new public arrangements. At the present time a great many different agencies of government are spending dollars abroad. Even more have an effect on those we earn. These expenditures and receipts, now not less than domestic outlays and taxes, are magnitudes we must watch. Until 30 years ago the responsibility for Federal expenditures was diffused among the executive agencies. Each dealt independently with the Congress. Responsibility and over-all control was won only by concentrating authority over these expenditures in the Director of the Budget. Perhaps the day is not distant when we must think, if not in similar, at least in analogous terms about our foreign resources. These, too, must be husbanded and used with maximum effect. We must, it is certain, have a single and authoritative view of our prospective revenues and outlays—one that will cause us to weigh priorities among the latter. This would seem to me the minimum course of prudence and caution.

Nothing Certain But Change

IT SEEMS paradoxical that in real estate, the most basic of commodities, the most significant word of the past 35 years has been *change*. If we consider the vast changes that have swept back and forth over the real estate picture in only three and one-half decades, it must be obvious to any student of the national scene that ours is an industry in which we must be constantly alert and vigilant. We must, therefore, rely on certain time-proven safeguards if we are to exercise enough flexibility to meet the ever-changing needs of our day.



Stephen G. Cohn

Let's take a look at these past 35 years and review the amazing shifts that have taken place in various types of properties over a comparatively short period of time. For example, take the field of housing:. 35 years ago, apartment buildings and houses were being erected as rapidly as crews of building tradesmen could be found to put them together. In the most desirable sections of our great cities, magnificent new multi-story structures were producing an ever-changing skyline. Beyond the periphery of these towering buildings, two and three-story walk-ups were being erected by the thousands, while beyond the walk-ups, stretched block upon block of houses bearing the almost forgotten name of "bungalow." And though these bungalows often extended to the very edges of cornfields, they were being erected on 25 and 30-foot lots as though the land itself were the scarcest of all commodities.

Ten years later these same houses and apartments stood vacant by the hundreds of thousands and anyone contemplating the erection of a new apartment building at that time would have been considered out of his mind.

When the next big housing boom got under way, some ten years after that, the entire emphasis had shifted to the sprawling, one-story ranch house, situated on a much bigger piece of land. Large-scale developments of these new ranch houses sprang up in all directions and within an ever-widening periphery. But here, too, a saturation point finally arrived.

Today, as older families, whose children have left home, begin to return to the cities, the multi-story apartment buildings are making a re-appearance. This time, however, there is a trend away from much of the fancy brick and stone and terra-cotta ornamentation that characterized the last boom, and the emphasis is now being placed on wide expanses of glass and simplicity of design. Through this whole bewildering cycle one must have surely felt compelled to ask: "What can I build today that will not be considered outdated 25 years from now?"

Let's look now at a few other fields of real estate. Take commercial property, i.e., retail stores. In the Twenties, we knew of a certainty that the choicest of all property was the "downtown store," located in the number one - or two - or three - blocks of the main business thoroughfare. This was considered the *ne plus ultra* of real estate investments. But, as the families and their buying power began to move out into the suburbs and the unincorporated areas beyond, and as good highways began to spread out in all directions, the retail emphasis shifted rapidly to *convenience* shopping. Small retail centers began to line the highways.

In a very few years, these smaller centers were being challenged by large, diversified, regional centers, that were actually attractive, small-scale reproductions of our busy downtown districts—with one important difference. An entirely new and meaningful word had entered the lexicon of real estate merchandising: *parking*. Actually, as the ballad goes, there were "three little words": *automobiles, highways* and *parking*, that had become guideposts to the future success of retail merchandising ventures.

And now another new (and nasty) word has made its appearance on the retail scene: *discount* merchandising is threatening to eat into the profitable sales volumes of our big and beautiful regional centers.

Truthfully, I do not know of any man in the real estate or mortgage industry today who, 35 years ago, foresaw these dramatic changes in shopping habits (which simply means that none of us who was in the business in the late 1920's was able to forecast accurately, or even approximately, what would happen just 35 years into the future). Nor do I know of any man in the industry today who will *admit* willingly that he *failed* to foresee these changes.

Consider now the area of industrial property, where there was a great demand, 35 years ago, for multi-story loft and light manufacturing buildings, located as close to the downtown areas as rail sidings could be found. Here, it was felt, would be located our great, inexhaustible labor pool. But, inside of only two short decades, these same close-in, multi-story buildings had become a drug on the market, as progressive companies moved their manufacturing facilities farther and farther into the country; still seeking rail sidings, it is true, but also keeping one eye on the highways along which their employees could now drive to work in newly-formed car pools.

Less vulnerable to change has been the well-located, well-built downtown office building. Even though many were originally in the hands of weak ownership, the demand for the space they offered has been uniformly good. In cases, however, where the competition of newer and costlier buildings has presented too much of a challenge, it was found they could easily be torn down to provide valuable sites

ge — in Real Estate

Nothing certain but change period. But where else but in real estate has change, swift and far reaching change, been so pronounced and how else can the net results of these changes be better determined than by retracing events of the past generation as Mr. Cohn does here. He entered the mortgage field 35 years ago and heads a company that's been in it for more than a century.

By STEPHEN G. COHN
President, Greenebaum Mortgage Company, Chicago



for more modern office structures, or for parking garages and parking lots.

Take one last phase of real estate: hotels and motels. Thirty-five years ago, real estate investors fought to put their money into downtown hotels, not only in the big metropolitan centers, but also in the moderate-sized towns. "Number One in Town" meant the same when applied to a hotel as did "Sterling" to silver. At that time the word "motel" usually denoted a few frame cabins hidden back somewhere in a grove of trees.

How times have changed! . . . Thanks again to the automobile and the highway and finally, the airplane. You could probably count on your fingers the new downtown hotels that you have personally seen erected over the past 35 years. But you saw hundreds of small and then larger motels begin to flank our many miles of highways. And now you are witnessing great new superhighways, by-passing the old routes and leaving many of the earlier motels gasping like fish out of water, as ever-larger and more elaborate establishments are beginning to cater to the ever-increasing number of commercial and touring motorists who blithely roll along our superhighways.

Foreseeing the need for accommodating overnight air passengers, alert investors about five years ago began to build motels around our municipal airports. What *they* failed to foresee was the advent of the jet planes, which would require longer runways and therefore, newer and still bigger airports. Now we are witnessing a mad rush to build even fancier motels around the jetports, when perhaps a truly farsighted investor should be seeking a suitable site beside some promising missile launching-pad.

By what tried and proven principles can the mortgage investor and the real estate developer of today operate safely in an industry in which so very few men have demonstrated an ability to look 35 years into the future?

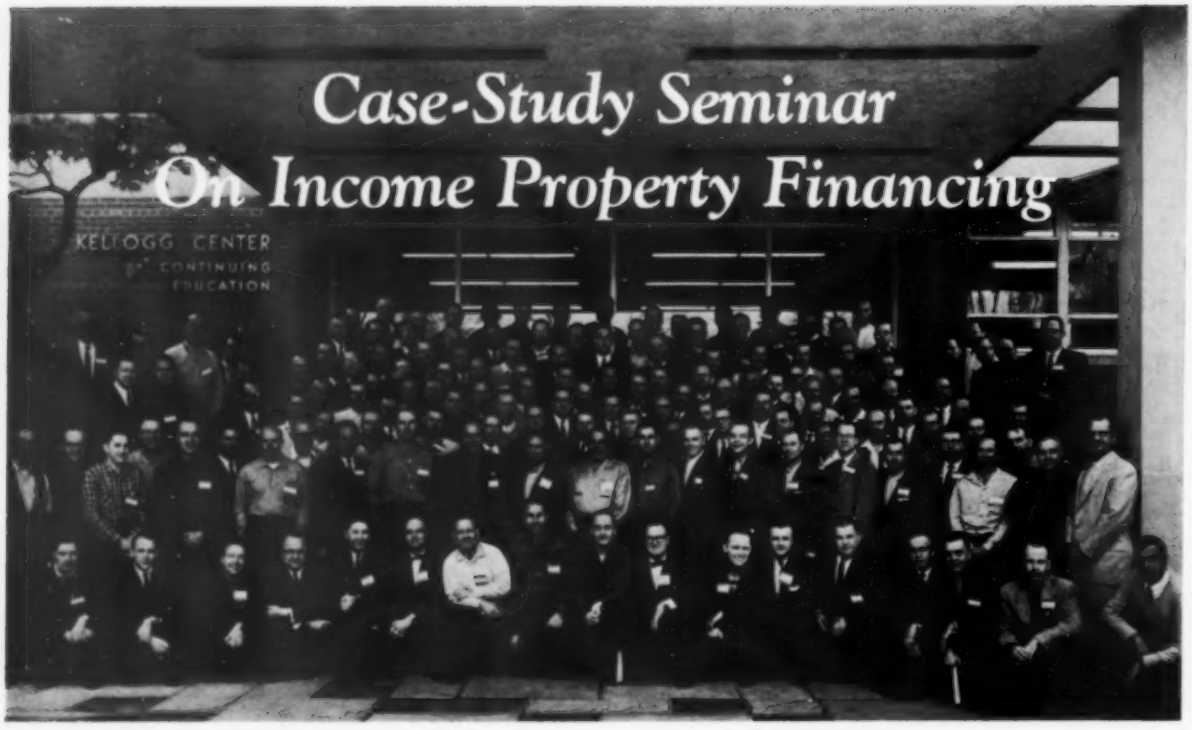
The mortgage investor must rely on:

- *Location.* This should be as advantageously situated from a standpoint of consumer-convenience and as invulnerable to obsolescence as it is possible to foresee into the years ahead;
- *Certainty-of-income.* The assurance that money sufficient to service the mortgage debt will be forthcoming from either strong credit for a long period of years, or from a continuing consumer-demand for the facilities offered. This is of paramount importance.
- *Character and integrity of the borrower;*
- *Skillful and proven management.*

These are the four factors that should weigh most heavily in judging a mortgage investment that will extend into an unforeseeable future.

And what of the real estate owner, the equity-investor or the builder who is going to buy or create a project which is going to have to withstand

(Continued page 43, column 3)



Case-Study Seminar On Income Property Financing

Something New in MBA's Program

Few are the mortgage men who have not made income property loans in recent years who also haven't taken a long and searching look at the field to determine why they haven't—and then quickly decide that there wasn't any very good reason. The single family house business couldn't possibly continue to provide everything it did during the Fifties; thus, for many, income property loans was the thing to add. But hundreds of mortgage bankers have devoted their best efforts to income property financing for many years; and invariably it has appeared that these were the firms which came up with the best results at year-end.

But whatever the past history has been in income property financing, certain it is that today mortgage bankers are keenly interested in every technique they can learn in this type of lending. All of which partly explained MBA's first effort at a meeting about nothing except income property loans, held in December in East Lansing, Michigan, in cooperation with Michigan State University's College of Business and Public Service.



"This Seminar," said MBA President Robert Tharpe," will prove a valuable investment in a sector of mortgage lending which looms large in the future . . ."

It was a new MBA event but it was also a new way of presenting material —the case study method which means telling in detail what was actually done in a particular case, how it was done and why.

This Seminar — if any additional evidence was needed — reflected the great interest in income property financing for mortgage bankers. Attendance totaled 139 and, broken down, it was from 73 cities in 35 states and the District of Columbia. Companies represented totaled 73. After the opening preliminaries on Sunday, the Seminar went for a full week of intensive study and exploration of every facet of how income property loans are made. Apartments, motels, motor courts, office buildings, and medical facilities, industrial and retail properties—every kind of income loan came in for examination; and for each one there was an authority, someone who has made this particular loan.





SOME WHO WERE THERE: On the opposite page is all who were there, with maybe a stray or two not showing for the group photograph. Above some scenes from the individual classrooms where every factor in a particular loan was analyzed. Below, more specifically some who were there: L. O. Kerwood, MBA's Director of Education and Research, whose job it was to plan and execute the Seminar; Louis P. Wolfort, First National Mortgage Corporation, New Orleans; Kenneth C. Young, Eberhardt Company, Minneapolis; Robert J. Shirk, Lon Worth Crow Company, Miami; Jack D. Thellman, Don J. McMurray Co., Kansas City, Mo.; Frank E. Scott, Lon Worth Crow Company, Miami; Carlton B. Brown, Equitable Life Insurance Company





of Iowa, Des Moines; MBA President Robert Tharpe; and M. J. Mittenthal, N. E. Mittenthal & Son, Inc., Dallas. Center, right, Dr. Paul Smith, Assistant Dean, College of Business and Public Service, Michigan State University; Russell A. Foti, First National Mortgage Corporation, New Orleans; Mr. Wolfort; and Dean James D. Edwards of the College of Business and Public Service. Below, looking in on another classroom session. Below, William Behrend, Pittsburgh Mortgage Corp., Pittsburgh; Jack Pilati, Johnson-Anderson Mortgage Co., Salt Lake City; William A. Harrison, Johnson-Anderson Mortgage Co., Denver; Frank E. Sellers, Frank E. Sellers, Norfolk, Va.; I. Fred Muenchrath, Johnson-Anderson Mortgage Co., Denver; and W. P. Jones, Jr., Pittsburgh Mortgage Corporation. The Michigan Seminar was such a success that more of the same are planned.





The MBA Committees at Work



Reported by ROBERT J. BERAN

▸ LEGISLATIVE COMMITTEE: Regarded, generally, by most MBA members as just about the most important of this Association's committees, the Legislative Committee is justly deserving of this high regard—for this is *the* Committee whose work can very decisively influence the long-term course of events not only for each and every member of MBA, but for the industry in general. And, year after year, it continues to chalk up an impressive record of achievement.

Last year, for example, among the more important results of the Committee's efforts was the passage of the bill involving tax treatment of the cost of purchases of FNMA stock. Another important accomplishment was the passage of the real estate investment trust legislation. This particular piece of legislation, which many members are already looking into, is one of the most significant laws that has been passed in recent years affecting our industry. Considerable progress was made, too, in regard to the problem of usury laws in the various states. Thirteen states now have six per cent usury laws, but this matter will continue to get attention in the year ahead and all members of the Committee will continue to work on it in their various states.

With the election over, and now that the trend which housing legislation will take is beginning to shape up, there is every indication that this year will be another busy one for the Committee and that it can expect the usual full work load.

One of the objectives of the Committee, for many years, has been the attainment of uniform foreclosure laws; and it remains, in fact, one of the important matters to be considered this year. To date, some 23 states have passed 75 per cent loan-to-value ratio laws and in many other states this item is included on the agendas for the forthcoming meetings of their state legislatures. A great deal remains to be done on a national level in this field, but the most significant work is to be done at the state and local level. MBA general counsel, Samuel E. Neel, will assist the Committee in this effort, as he has done in the past.

Last year's "steering committee"—consisting of the Legislative Committee's chairman and vice chairmen, together with the chairman and vice chairmen of the FHA, GI and YMAC Committees of MBA—proved a most effectively functioning body. It will be continued this year, to correlate the work which needs to be done on legislative and other matters affecting the Association and to recommend the approaches to be taken with respect to solving these various problems.

Because MBA is so fundamentally interested in matters coming before the Senate and House Banking and Currency Committees, the work of this "steering committee" — through contacts with members of these Congressional Committees — is of great importance. As soon as the new Congress meets in January and the chairmen and members of the new Congressional committees are known, lists of these committee members and all staff members will be made available to the full MBA Legislative Committee.

It is planned that the "steering committee"—along with various representatives of the Legislative, GI and FHA Committees—meet in Washington, either sometime this month or next, to discuss legislative problems and to visit with their respective Congressmen and Senators. Under consideration, too, is a similar meeting—likewise in Washington—which would include the MBA Executive Committee and the Board of Governors, for the purpose of meeting with members of Congress and various Government agency officials to discuss problems affecting MBA and the industry as a whole.

One of the Committee's recommendations to the MBA Board, incidentally, has been that this Association work in closer liaison with the American Bankers Association. The Mortgage Finance Committee of ABA, one of that Association's standing committees, has indicated an interest in wanting to work with MBA on matters affecting the industry. This interest is, of course, welcomed.



Chairman of the 1960-61 MBA Legislative Committee is Jack Adair of Atlanta, Georgia. He is president of the Adair Realty and Loan Company, having associated himself with the firm immediately after graduation from Georgia Tech in 1933. A member of the MBA Board of Governors, last year he served as a vice chairman of the Committee he this year heads. Active in Atlanta real estate circles, and in that city's Chamber of Commerce, he has twice been president of the Atlanta Real Estate Board. He has served, also, two terms as president of the Atlanta Mortgage Bankers Association.

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▸ GI COMMITTEE: Working closely with the Association's general counsel, this is the Committee which provides the contact between MBA and those officials of the Veterans Administration whose activities relate to the GI lending program. Accordingly, from time to time, the Committee arranges conferences between its members and VA officials (and including, frequently, representatives of other groups whose interests are allied with those of MBA)—"with a view to directing VA lending policies

and offering suggestions for the improvement of the program when it is deemed advisable." Such a meeting is planned for spring, in Washington, D. C.

Of course, until the new Congress is convened and underway, it is not possible to know what legislation the Committee will need to consider in the months ahead. One rather obvious possibility, however, could be the Teague Bill which was introduced in the last Congress by Congressman Teague of Texas and which, it seems very probable, will be reintroduced in the next. This is the Bill which would extend the VA loan guaranty program for World War II veterans to February 1, 1965, and which carries a proposal to authorize the VA to issue $5 billion of debentures in any one fiscal year for sale with maturities from 10 to 30 years, at an interest rate of not less than 4½ per cent, the funds so acquired to be used to make VA mortgages up to a $17,500 maximum amount at the fixed 5¼ per cent- interest rate anywhere in the United States where a shortage of mortgage financing exists.

At its first meeting of the 1960-61 Association year, the Committee discussed whether or not there was a potential market for GI loans and whether or not the GI offices (in the opinion of Committee members) were in a position to render service if the VA program did become reactivated. The official MBA *Statement of Policy*, of course, as it relates to the GI lending program, recommends *"that the VA home loan guaranty program not be extended for veterans of World War II or of the Korean War beyond their present termination dates."* It recommends likewise *"that no further authorizations be made for direct government loans on veterans mortgages and that no new government-sponsored facilities be created especially for financing housing for veterans."* Many Committee members, however, share the opinion that the program should be continued.

In discussing VA foreclosures as compared with FHA foreclosures, the Committee concluded that FHA foreclosures could be decreased if, as in the case of VA foreclosures, possession of the property in each case could be taken by title and not by physical possession. Accordingly, the Committee—by motion—has made recommendation to the FHA Committee of MBA that it work with FHA to consider a proposal that in the event of foreclosure of properties insured by FHA possession be taken first by title and later by physical possession.



C. C. De Witt, Jr. of Oakland, California, is chairman of the GI Committee for this year. He is executive vice president of the Pacific States Mortgage Service, Inc., a firm which just recently (in keeping with its over-all expansion program) underwent a change in name—having been known, formerly, as the East Bay Mortgage Service, Inc. Active in the California Mortgage Bankers Association, he is a former member of that group's board of directors. Nationally, he serves on the MBA Board of Governors, as a vice president for Region 12 and, last year, was a member of the MBA Mortgage Servicing Committee.

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▶ RESEARCH COMMITTEE: In past years, many a worthwhile project has been originated and developed within and under the supervision of the MBA Research Committee. Currently, the Committee once again has before it an extensive list of project proposals, the basic implementation of which will vary in each individual instance. Once the Committee has determined and evaluated the problem areas of prime importance, disposition of the various projects will be made—some will remain strictly within the functioning control of the Committee itself; others will be delegated to the Headquarters Office staff, at least for the preliminary research phases; still others will be "farmed out" to universities or other professionally qualified groups.

In evaluating the potential worth of any project which it plans to undertake, the Committee makes every effort to combine proposals in order to have a major study covering a subject comprehensively, rather than to have a series of piecemeal projects. Likewise, any proposed project is evaluated in the reality of available finances, facilities and ability to complete the project in satisfactory and complimentary manner. It is a mistake, the Committee feels, to begin a project which has no chance of reaching completion.

A special "steering committee" is to determine which projects might contribute most to the mortgage banking industry, with a report and recommendations to follow at the next meeting of the full Committee. Projects mentioned for consideration include:

1. A "standardized" method of warehousing, interim and construction financing procedures with commercial banks.
2. A "definition" of the mortgage banking business and an "image" of its place and functions in the economy (similar to a study by the Federal Reserve Bank of Atlanta).
3. A more closely-defined industry standard for compensation of its employees.
4. A more refined study of the "cost of doing business" as related to mortgage banking.
5. Reconsideration of the project on "management succession."

In directing its attention to one of today's issues of major import to the industry, the Committee is studying the provisions and potentials of the Real Estate Investment Trust legislation recently passed by Congress; it is endeavoring, likewise, to develop the maximum possibilities for mortgage bankers in respect to operating under this new vehicle. A special subcommittee—the Real Estate Investment Trust Division of the Research Committee, under the chairmanship of Carton S. Stallard—is responsible. In its study, it will attempt to establish some acceptable standards of procedure and practice so the operation may be on a sound, stable and responsible basis. It is to consider, too, the feasibility of establishing a division within MBA under the research division as now set up.



Chairman of the MBA Research Committee for 1960-61 is Ernest P. Schumacher of Memphis, Tennessee. He is president of the Schumacher Mortgage Company, Inc., in that city. Twice president of both

the Memphis Real Estate Board and the Memphis Mortgage Bankers Association, he is a member of the Mortgage Council of the National Association of Real Estate Boards. A senior member of the Society of Residential Appraisers, serving currently on its Board of Governors, he is a member, too, of the MBA Board—as a regional vice president for Region 6. Two years ago he was chairman of MBA's Southern Mortgage Conference and last year was chairman of the Conference Committee.

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▸ MEMBERSHIP COMMITTEE: While it is the MBA Board of Governors which sets up membership qualification requirements and which, ultimately, casts the final ballot to determine each applying member's acceptance or non-acceptance, it is the Membership Committee, *per se*, whose function it is to seek out potential new members who qualify under the standards of the Association.

This Committee, also, periodically reviews the membership application blank and recommends such changes as may be required. It offers advice and assistance, too, to the Headquarters Office in distributing to members and prospective members proper literature publicizing the work of the Association.

Composed, as it is, of men selected with an eye to securing as broad a nation-wide representation as possible, the Committee is particularly well-suited for its specific responsibilities. And it has its work cut out for it in the months ahead. Last year's Committee — through extensive contact work with life company members of MBA, from whom they obtained the names of their institutional investors (which, in turn, were checked against the Association's membership roster) —developed quite a comprehensive list of potential members for MBA. And it will now be the responsibility of this year's Committee to follow through by contacting and soliciting the firms on this list. It will be a formidable task, but one in which the element of personal contact can prove most advantageous. And, as an added selling point, any worthwhile prospect will be added to the Association's mailing list for a 90-day period.



Pat L. Davis of Fort Worth, Texas, is serving as chairman of the 1960-61 MBA Membership Committee. He is executive vice president of the Texas mortgage firm, J. E. Foster & Son, Inc. A former president of the Fort Worth Mortgage Bankers Association, he is active, too, in the affairs of the Texas MBA, serving several terms as a member of the group's board of directors and appearing as a program participant at its state-wide conventions. In MBA affairs, nationally, he was vice chairman of the Membership Admissions Committee for 1958-59 and then, last year, served as chairman of that Committee.

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▸ MEMBERSHIP ADMISSIONS COMMITTEE: When once a firm makes application for membership in MBA, it is then that the responsibilities of the Membership Admissions Committee come into full play. For this is the Committee which must review all materials pertaining to an applicant's qualifications for membership. These materials—including the application, the investor verification, the credit report, comments of members in the applicant's area, and other additional pertinent information—are provided through the MBA Headquarters Office.

Each member of the seven-man Committee passes — individually — upon an applicant's acceptability under the standards for membership outlined in the By-Laws of the Association. Decisions are submitted to the Committee chairman; he returns all materials and the Committee vote to the Headquarters Office. If four of the seven votes are negative, an applicant is considered as rejected; and he will be listed as such on the final ballot by which all applicants are submitted to the individual vote of the entire MBA Board of Governors. In this balloting, a vote of seven "no's" is sufficient to reject an applicant.

It sometimes happens, of course, that Committee members find it difficult to arrive at a clear-cut decision of acceptance or rejection, when reviewing—as individuals—an application. When this does occur, the applications about which there is controversy remain pending until such time as the Committee can meet together and discuss, as a body, the applications in question. The two qualifications, the Committee reports, most likely to present a problem are:

1. Whether an applicant is controlled by an outside company *not* engaged in mortgage banking . . . and
2. Under what circumstances, if any, the Committee can waive the five year "in business" waiting period.



Chairman of the MBA Membership Admissions Committee for the 1960-61 year is Clarence A. Hardesty of Seattle, Washington. A native of that state and a practicing lawyer before entering the mortgage business, he has been with the Carroll Mortgage Company in Seattle—as an officer and a director—for the past 25 years. Today, he is president of the firm, and a member of its board of directors. A member of the MBA Board of Governors, he has served on the Membership Committee and last year was vice chairman of the Committee which this year he heads.

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▸ FHA COMMITTEE: Like its companion committees—the GI and the Legislative—the FHA Committee of MBA cannot, until the new Congress is active, determine the exact nature of the special issues or problems with which it will be expected to deal in the months ahead. Its schedule will be a full one, nevertheless—working with FHA officials, either on a consultation basis or in an advisory capacity, on matters pertaining to FHA lending policies and activities; offering suggestions for the improvement of FHA programs; supporting and encouraging changes in the procedure and policies of FHA that may develop periodically through suggestions originating within the Association membership or through other interests; representing MBA before Congressional hearings relating to legislation introduced affecting the lending policies under the National Housing Act, etc.

Last year's Committee, for example, had considered the advisability of putting into effect lower FHA down-payment schedules—and it was done. Another Committee recommendation, the half per cent additional service charge on loans up to $9,000, also was put into effect. The Committee, this year, expects to continue its efforts so that supervised lenders might have the same regulations as non-supervised lenders.

At the Committee's first meeting of the new Association year, members present were given firsthand information concerning FHA's important, new procedures for issuing debentures, something on which MBA officials had been working with FHA for more than a year. The information was provided by Lester H. Thompson, FHA Comptroller from Washington, D. C. He first called to the Committee's attention the letter which FHA sent to all approved mortgagees (Sept. 26, 1960) on the revised requirements for conveying title and processing claims for debentures in connection with home properties tendered to the FHA Commissioner. He then outlined and explained in detail the processing steps to be followed, stressing the importance of correctly following these steps in order to expedite over-all processing time.

It is important that the Committee be in possession of this information. Each member, individually, can now pass on these facts to other members in each locality so that *every* member of MBA will realize the importance of following the steps of the new procedures in order to materially reduce the time necessary to settle claims with FHA.

The Committee, also, is studying ways and means of utilizing to the fullest extent the regulation authorizing the sale of FHA mortgages to individuals. A special sub-committee assigned to this topic has completed its preliminary investigation and has presented its recommendations to the Committee. Each member of the full Committee is to receive a copy of this preliminary report, to be studied and commented upon, so that the subcommittee might have the benefit of these suggestions in making up its final report. Chairman of this subcommittee is Robert H. Wilson, of Chicago.

In the spring a meeting of the FHA Committee will be held in Washington, D. C. This will enable the members to discuss problems with FHA officials and to contact members of Congress on matters affecting the mortgage banking industry.



Lon Worth Crow, Jr. of Miami is chairman of the 1960-61 FHA Committee. He is president of the Lon Worth Crow Company, one of the pioneer mortgage firms in the state of Florida. He was recently chairman of his state MBA's legislative committee which was instrumental in securing passage of Florida's unique and constructive Mortgage Brokerage Act. Active in state and local MBA affairs, he contributes constructively and consistently to the programs and activities of MBA on a national level. The MBA educational program is one which has benefited, particularly, from his services. A member of the MBA Board of Governors, he has worked on most MBA committees and has served as chairman of many. Last year he was chairman of the Research Committee.

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▸ INSURANCE COMMITTEE: A considerable variety of matters and issues will receive the attention of MBA's Insurance Committee during the coming months. High on the list will be the subject of anti-coercion insurance legislation. A large number of state legislatures are meeting this year and considerable legislation of this nature can be expected to materialize. For example:

Louisiana House Bill 419—This Bill contained more than the normal condition precedent prohibition insofar as it could prohibit the selection of the type of insuring company by the mortgagee through future interpretation; and, also, insofar as it would make the acceptance of any type of package policy offered by the mortgagor mandatory to the mortgagee even though the policy might include coverages completely unrelated to the insured real estate. John Dane, Jr., of New Orleans (chairman of this Committee last year) and other local MBA members in Louisiana appeared before the state insurance commissioner who sponsored the Bill, advising him that such extra-ordinary conditions appeared contrary to the best interest of a free enterprise system, etc. As a result, the commissioner agreed to amend the wording so that the phrase "but reasonably connected with the real estate" would be added to the conditions pertaining to the mandatory acceptance of any type of coverages included in a new policy. *Dane and local members are continuing to work on this Bill and to watch its progress through the legislature.*

The Committee continues, also, to work toward the acceptance of a more standardized Form 127-B. In 1958 and 1959 the Committee had attempted to effect the elimination of one specific paragraph which pertains to giving notice to the insuring company of *any* notice the mortgagee might receive regarding a possible change of ownership. Such notice, the Committee felt, was contrary to the practices of the industry insofar as notice is normally only given when a *definite* ownership change takes place. Approved originally by the Western Actuarial Bureau, the request was rejected by the Inter-Regional Insurance Conference to which it had been referred by the Bureau. Subsequently, other standardization approaches have been proposed; and last year the Committee considered the advisability of proposing certain changes in 127-B to bring it into conformity with the forms used in California.

Accordingly, each member of this year's Committee has been provided a copy of the California form—to compare it to the form used in their individual areas, and with a view to standardizing all such forms to whatever extent possible. The Committee hopes to arrive at a suggested modified version which will incorporate all the features contained in the California form, plus any other features thought to be desirable. Action to secure acceptance of such a form will follow.

And, in regard to the administering of package insurance policies, the Committee has determined to solicit active support of its position from the Insurance Committee of the National Association of Mutual Savings Banks and the Joint Economic Policy Committee on Housing and Mortgage

Lending of the American Life Convention and the Life Insurance Association of America. Joint action would be the goal of this proposal to effect solutions mutually agreeable to everyone concerned.

The Committee, also, has been authorized to establish liaison with the National Association of Insurance Commissioners through a formal letter of invitation from MBA President Tharpe.



Chairman of the Insurance Committee for 1960-61, is Edward W. Muhsfeld of Los Angeles. He is vice president and treasurer of the Insurance Funds Mortgage Co. in that city. Long experience in the mortgage field, coupled with a specialized knowledge of the insurance aspects of the business, qualify him particularly well for his chairmanship. He served, last year, as a vice chairman of the Committee. Active, too, on MBA's Legislative Committee, he has served also as chairman of the Southern California Mortgage Bankers Association's standing legislative committee. A past president of the SCMBA, he was among the founding directors of the California MBA when it was organized in 1955.

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▸ FINANCING MINORITY HOUSING COMMITTEE: In the months to come, the Financing Minority Housing Committee of MBA will—along with its designated responsibility to develop the facts regarding the financing of minority housing—direct special effort at educating both the mortgage banker and the investor toward channeling more funds into the financing of houses for minority groups.

One approach will be to set up (if feasible) a joint meeting between itself and the MBA Urban Renewal Committee, next month, during the Midwestern Mortgage Conference in Chicago. The Committee, likewise, is preparing to participate in future Conference programs by presenting workshop sessions on minority housing. And, also in the offing is a possible discussion meeting with representatives of the National Association of Home Builders. A meeting of this type, the Committee recognizes, could be of great value to its members and to the MBA membership generally, since the problems of both Associations are mutual in having to do with minority housing.

The Committee, at its first meeting of the new Association year, took up also the problem of the term of FNMA commitments in connection with FHA Section 213 investor sponsored management type loans. As a result of the Committee discussion on the subject, the following resolution was passed to the Legislative Committee for whatever action might be deemed necessary:

"Resolved: that this Committee recommend that appropriate action be taken to change the term of FNMA commitments in connection with FHA Section 213 investor sponsored to management type loans.

"Full protection should be afforded lenders during the FHA statutory required sale period of two years after completion of construction period plus two years."



C. Ellis Hunt of Tulsa, Oklahoma, is chairman of the MBA 1960-61 Financing Minority Housing Committee. He is executive vice president of the Chandler-Frates Company in Tulsa. Prior to assuming his chairmanship, he has had several years' experience on the Committee and was vice chairman last year. He serves, too, as the MBA Public Relations Committee "PR representative" in Tulsa—promoting the activities and projects of that particular MBA committee in his area. And he is the Educational Committee's university liaison representative for the University of Tulsa. Active, too, in the affairs of the Oklahoma Mortgage Bankers Association, he is a past president and director of that group.

SAVINGS AND MORTGAGES

(Continued from page 28)

lated as well as unrelated matters.

Savings bank earnings, which have risen steadily since the early postwar years, are likely to rise further in 1961. This rise will reflect the continued

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INTEREST RATE TREND

(Continued from page 17)

in the rate of household formations which should contribute to an increasing volume of consumer expenditures and home building. According to the latest projections of the Bureau of the Census, the annual rate of household formations will increase for the next 20 years. Under the most favorable assumptions for increase, the Bureau of the Census projects that the annual rate of household formations will rise from about 883,000 in the last two years of the Fifties to an annual rate of about 1,018,000 in the first five years of the Sixties, and to a slightly higher annual rate of 1,083,000 in the second half of the decade. During the Seventies the projections show a more pronounced rise to an annual rate of 1,338,000 in the second half of that decade. Accordingly, the expanding markets for consumer goods and housing occasioned by the higher rate of household formations should enhance the general economic prospects of the Sixties. However, the impact of a rising rate of household formations this decade should not be exaggerated. The average annual rate of 1,083,000 in the second half of the Sixties is still considerably below the annual rate of 1,525,000 in the three-year period from April, 1947 to March, 1950.

▸ It seems likely that with the other three forces mentioned at play, the rate of business and industrial plant and equipment expenditures should continue to move upward from the levels of the Fifties. Spurred by keen competition in our industrial system, foreign as well as domestic, and still further increases in the funds devoted to industrial research, plant and equipment expenditures by business and industry should trend upward during the decade.

▸ In a more pessimistic vein about the economic outlook, the reservoir of demand for consumer goods and housing which was dammed-up during the Thirties and World War II may finally be in the process of running dry. There is some evidence of this. For example, the huge postwar demand on the part of veterans for housing under the VA home loan guaranty program probably has largely been met. The failure of home-building as a whole to respond in the latter part of this year to somewhat greater availability of mortgage financing, and the increasing reports of pockets of unsold homes and rising vacancy rates in apartment buildings, may also signal in part that the days of big backlog demand for housing are reaching an end. In a way, we may be witnessing the same thing in the sale of automobiles today as the public is becoming more selective and more interested in the compact cars. The huge backlog of demand which was evident in the first decade and a half after World War II was fed by liquid assets accumulated by the public during the war, and even more so by the easier and easier credit in the consumer loan and home loan fields. The consuming public has used up a good part of these liquid assets, or they have been drained by the rising price level, and we have apparently gotten to the end of the line in making consumer or home mortgage terms easier. This is not to say that the level of consumer expenditures will not continue to rise in the Sixties. It undoubtedly will. Nevertheless, consumer spending in the Sixties will not be fortified by the great backlog of wants and desires which characterized most of the Fifties. Markets should become much more competitive as consumers become more selective. We are probably moving into a decade of the "hard sell."

"Accordingly, taking into account these five forces, during the Sixties our national economy is likely to grow at as fast a rate as in the Fifties and in the process to require enormous amounts of capital funds. This does not mean that the growth rate will be uniform each year because fluctuations in general business activity and in capital expansion are inherent in a dynamic free market economy such as ours. However, despite fluctuations in general business activity and in interest rates, on the average in the Sixties the great demands for capital funds will press against the supply of funds from savings sources and from the increase in the money supply permitted to accommodate sustainable growth without inflation. Consequently, in the Sixties long-term interest rates seem likely to remain at the levels reached in 1959."

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growth in assets, the further shift in asset composition in favor of higher-yielding mortgages, and the turnover of those assets acquired in earlier years of generally low interest rates. The average rate of return on savings bank assets rose from 3 per cent in 1950 to about 4.2 per cent in 1960. It will probably average around 4.3 per cent in 1961 and will permit the continued payment of a favorable rate of return to depositors. Incidentally, the wide spread in earnings among savings banks suggests that the application of imaginative, constructive, portfolio management policies might produce a significant increase in earnings for some banks, quite apart from external economic developments.

Already the disappointing economic performance of 1960 has led some observers to relabel the present decade from the "Sizzling Sixties" to the "Sober Sixties." The observation is spreading that we have turned the corner from an era of persistent inflationary pressures to intensive world-wide competition and ample supplies of goods.

NOTHING CERTAIN

(Continued from page 35)

the unknown challenges of the years ahead? He is going to have to fall back on somewhat the same set of reliable qualifications:

▸ A *Location* that has every prospect for remaining sound and good;

▸ *Certainty-of-income* for a period long enough to pay back his original equity investment and to return him a profit that is commensurate with the risk he is undertaking;

▸ The *character* and *reputation* of the parties with whom *he* is doing business (including his mortgage lender) should become a necessity;

▸ *Skillful and alert management* that will not be caught napping and that will be courageous enough to undertake all the steps necessary to guarantee the acceptability and the safety of the project.

These are the oldest tried-and-true yardsticks by which any man should measure his stake in real estate, as he looks ahead into the '60's, the '70's and the '80's, in a field where the only thing that is *absolutely certain* is *change.*

Other MBAs

Elmer R. Field New Head of Detroit MBA



Elmer R. Field, seated, center, vice president of the First Federal Savings and Loan Association of Detroit, was elected 1961 President of the Detroit MBA. Named also were Donald H. Mitzel, seated, left, vice president, Hannan Real Estate Exchange, Inc., vice president; and Charles H. Webber, vice president, Manufacturers National Bank, secretary-treasurer. Members of the board of governors are, standing, from left, James E. Brophy, T. W. Thompson, Samuel C. Turner, Clarence M. MacKinnon, Stuart B. Micklethwaite and Waldo W. Watkins.

Newton S. Noble To Head Chicago MBA

Newton S. Noble, Jr., of Lake Michigan Mortgage Company, is slated for election as president of the Chicago MBA of the group's annual meeting this month. He succeeds Theodore H. Buenger of Dovenmuehle, Inc. John W. McBrady of Republic Realty Mortgage Corporation is the nominee for vice president and Morris Levinkind of Kahn-Levinkind, Inc. has been named for secretary-treasurer.

Directors to be elected include Laurence H. Cleland, Baird & Warner, Inc.; Raymond Donnersberger, Hall & Ellis; Raymond H. Mulligan, Chicago Title and Trust Company; Thomas D. Philipsborn, H. F. Philipsborn & Co.; Ira C. Prouty, Continental Assurance Company; Elmer A. Tittle, The First National Bank of Chicago; and Theodore M. Wilson, Percy Wilson Mortgage & Finance Corporation. Dr. William Montgomery McGovern of Northwestern University spoke on "The World We Face."

Stockbridge 1961 Baltimore MBA Head

Jason W. Stockbridge, president, Central Savings Bank, was elected president of the Baltimore MBA. Hugh H. Gambrill, vice president, Weaver Brothers, Inc., was elected vice president and Richard L. Cover, of James W. Rouse & Co., Inc., was named secretary-treasurer.

Mr. Stockbridge came to the Central Savings Bank in June, 1958, as executive vice president following 12 years as public relations director of the National Association of Mutual Savings Banks in New York City. His career in savings banking started with the Savings Bank of Baltimore in 1928.

He left this institution in 1940 to become secretary of Rondout Savings Bank, Kingston, N. Y. and in 1943 joined the Army and served three years as a finance officer.

Mr. Stockbridge attended Johns Hopkins University, the Graduate School of Banking at Rutgers and New York University, and is a graduate of the American Institute of Banking.

Robert S. Irving Is Philadelphia Prexy

Robert S. Irving, executive vice president of W. A. Clarke Mortgage Company has been elected president of Philadelphia MBA for the coming year, succeeding John Chatley, Jr. David Solms, president, Colonial Mortgage Service Co., was elected vice president and William K. Brandt, vice president of Central Penn National Bank of Philadelphia, was elected treasurer. David Bloom, manager, mortgage department, Jackson-Cross Company, was re-elected secretary. Governors named for term expiring 1963 were Mr. Chatley, who is vice president of the Fidelity Philadelphia Trust Company; John E. Krout, vice president, Philadelphia Saving Fund Society; Russell C. Rosenfelt, president, Peoples Bond & Mortgage Company, and Raymond Armstrong. William F. Hofstetter, Bankers Bond & Mortgage Company, was elected for a term expiring 1961 to fill a vacancy created by the election of Mr. Solms.



John Driscoll Is Named Dallas MBA President



John E. Driscoll Jr., of Guillot Mortgage Company, was elected president of the Dallas MBA at the group's recent meeting.

M. J. Greene, vice president of Southern Trust and Mortgage Company was named vice president, and Robert D. Johnson, general manager of Murray Investment Company, was elected secretary-treasurer.

The new officers will be installed at the meeting in January. Retiring president is A. E. Streitmatter, of Republic National Life Insurance Co. Mr. Driscoll was advanced to the top office from the vice presidency, and Mr. Greene moved up from secretary-treasurer. Above, Mr. Driscoll, Mr. Johnson and Mr. Greene.

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Pres. Tharpe Speaks at Hawaii MBA Meet

The appearance of President Robert Tharpe before members of the Hawaii MBA in January marked the first such an occasion for the head of the Association in our 50th state. The Hawaii MBA, however, is one of the larger local mortgage groups of the country and has been an active association for many years.

Addressing members in the Oahu Country club, President Tharpe said that despite the disappointing results of 1960 housing production and sales and the general business let-down, the market for houses is not shrinking but increasing, and with changed conditions this year, the prospects are for increased activity.

"This year we enter a new decade. Many thought we were doing so a year ago. But this was an historical as well as an economic mistake. The year 1960 was the end of a decade not a beginning. It was a year of termination, of transition, and of reorientation. Although you in Hawaii fared better than was generally true elsewhere, for the country as a whole it was a disappointing year, and, to some extent, a disillusioning year.

"We found that some of the magic had gone out of old formulas. Credit became easier but the housing market did not respond; and the year dragged on without any sign of improvement. As a result we began to hear talk of saturated markets and to get forecasts of a continued low volume of building activity for several years ahead.

"We enter the decade, therefore, with the housing market primed with purchasing power and borrowing power. What will it take to make this power effective? What will it take to get the response that was so badly lacking in most of the country during 1960?

"The most important thing we need is a change of attitude on the part of both buyers and producers. Buyers have been discouraged by fear of another recession. Throughout last year, consumer surveys showed a progressive increase in concern over their financial future and in caution about making new commitments. It may not have been noticed as keenly in Hawaii as elsewhere, but on the mainland it has been a depressing factor. It still is."

At the meeting, Charles Hamane of American Factors, Ltd. and president of Hawaii MBA, presided.

President Tharpe's summary of national housing conditions and prospects were made against local Hawaii experience where the shortage remains acute and new building is proceeding at a feverish pace. He noted that Hawaii bested the rest of the country last year in economic activity, reporting general business activity up about 14 per cent as compared to 4 per cent on the mainland, retail sales increasing about 9 per cent as against 2 per cent for the country and construction bettering that of any other state.

He told the Hawaii mortgage bankers that the state does one thing which, he said, acts to keep outside capital from investing in the islands. A tax on mortgage interest income is levied which, he said, certainly acts to keep outside capital from entering the state. Now with Hawaii in a period of great growth and expansion, it will need all the capital it can get and the tax does exactly the opposite of what the islands' economy needs.

MBA's January Conferences for Senior Executives

January is the month for MBA's annual adventure into the realm of higher education, the time set aside for the Senior Executives Conferences both of which are aimed at providing mediums by which members can look at, explore and study the broad basic themes in our economy and adapt what they hear to their own areas of mortgage lending and investing. As has been true for several years, each Conference immediately becomes a sell-out affair. For 1961, the details are—

NYU Conference, New York, January 17-19
SMU Conference, Dallas, January 22-24

The general theme of each is *Mortgage Banking in a Competitive Economy*. Both Conferences concentrate heavily on studying the main stream of activities which will govern how mortgage banking will be conducted in the important year ahead but, in addition, there is a special emphasis on some of the towering national and international issues such as gold, balance of payments, etc.

To Be Discussed at NYU —

Forces Intensifying Competition in the American Economy . . . The Outlook for Inflation . . . Institutional Investors and Mortgage Companies . . . The Outlook for Home Building and the Demand for Mortgage Money . . . The Changed Outlook for Interest Rates in a Highly Competitive Economy . . . The Supply of Funds . . . Pension and Retirement Funds as Mortgage Investors . . . The Gold Program and Mortgage Banking . . . The Consequences and the Cure of the Gold Problem . . . Mortgage Banking under Conditions of Increasing Competition . . .

To Be Discussed at SMU —

Forces Contributing to a Highly Competitive Economy . . . Major Issues in the Economy and Their Effect Upon Mortgage Banking . . . The Causes, Magnitude, Consequences, and Cure of the International Gold Problem . . . Implications of the Real Estate Investment Trust Act and the Sale of FHA Mortgages to Individuals . . . Impact of Growth in the Total Economy During 1961 . . . Prospects for Inflation or Deflation and Its Consequences on Property Values . . . The Trend Ahead for Personal Income Patterns . . . Supply and Demand Factors in the 1961 Market . . . Supply and Demand for Housing in 1961 . . . Prospects for Supply of and Demand for Mortgage Funds During 1961 . . . Capitalizing on Growth Opportunities for Mortgage Banking in a Competitive Economy . . .

To Speak at NYU

From the Graduate School of Business Administration will be

Dr. Joseph H. Taggart, Dean; **Dr. Marcus Nadler,** Professor of Finance; **Martin Gainsbrugh,** Adjunct Professor of Economics; **Dr. Jules I. Bogen,** Professor of Finance. Also

Harley H. Kight, Vice Chairman, MBA Educational Committee, Mortgage Secretary, The Guardian Life Insurance Company of America

Saul B. Klaman, Director of Research, The National Association of Mutual Savings Banks

Louis P. Wolfort, Chairman, MBA Educational Committee, President, First National Mortgage Corporation, New Orleans

Dr. Arthur M. Weimer, Dean, School of Business, Indiana University

Milton T. MacDonald, Chairman of the Board, T. B. O'Toole, Inc.

Dr. Paul S. Nadler, Assistant Professor of Business Administration, Rutgers University

James O'Leary, Director of Research, Life Insurance Association of America

Paul Howell, Paul Howell Associates

Thomas E. Lovejoy, Jr., president, The Manhattan Life Insurance Company

John D. Wilson, vice president, Economic Research, The Chase Manhattan Bank

Robert Tharpe, MBA President

To Speak at SMU

Among the speakers from SMU will be **Dr. Willis M. Tate,** President; **Dr. Richard B. Johnson,** Head of Department of Economics. Others

MBA President **Robert Tharpe**

M. J. Mittenthal, President, Texas MBA and president, N. E. Mittenthal & Son, Inc., Dallas

Dr. G. Rowland Collins, Dean Emeritus and Lecturer on Business Administration, Graduate School of Business Administration, New York University

Louis P. Wolfort, Chairman, MBA Educational Committee, president, First National Mortgage Corporation, New Orleans

Dr. Arthur A. Smith, Economist, First National Bank in Dallas

Andrew P. Murphy, Jr., attorney, associated with Miles L. Colean

Paul Crum, vice chairman, MBA Educational Committee, president, M. P. Crum Company, Dallas

Dr. William Heuson, Professor of Finance, University of Miami, Coral Gables, Florida

B. B. Bass, MBA immediate past president, president, American Mortgage and Investment Company, Oklahoma City

Aubrey M. Costa, MBA past president, president, Southern Trust and Mortgage Company, Dallas

Henry H. Edmiston, financial vice president, Kansas City Life Insurance Company, Kansas City, Missouri

Lewis O. Kerwood, MBA Director of Education and Research

Raymond Rodgers, Professor of Banking, School of Business Administration, New York University

People Places Events



Robert O. Deming, Jr., former president of MBA and recently associated as vice chairman with Charles F. Curry & Company, has resigned to organize a Mortgage Advisory Service. His headquarters will be Oswego, Kansas, home of the Deming Investment Company, one of the oldest mortgage banking firms in the country which was sold several years ago to the Curry firm.

W. E. Leland, assistant vice president and manager of the Life Insurance Company of Georgia in Atlanta, has been named vice president of the Company.

Rudy Del Donno, of Charles F. Curry & Company has been elected president of the Little Rock, Arkansas Real Estate Board.

Benjamin Levinson, president, Franklin Mortgage Corporation, Detroit, was honored with a testimonial dinner by the Allied Veterans Council, Inc., of Wayne County, Michigan, for his devotion to veterans' causes and particularly in behalf of the children and wives of hospitalized veterans. Mayor Miriani and other prominent Detroit citizens attended the function where Mr. Levinson was given a plaque naming him as the Veterans Council choice of "The Citizen of the Year." For several years Mr. Levinson headed the group that arranged special Christmas parties for the children of veterans in VA hospitals in Dearborn and Ann Arbor.

A 21-year record of service in mortgage banking brought recognition to Joyner Mortgage Co., Inc., Dallas. **A. A. Abernathy,** president, was presented a bronze plaque from National Life & Accident Insurance Company of Nashville, Tenn., to signal completion of 21 years' service as a correspondent for the insurance company. The presentation was made by **H. B. Gibbs,** assistant vice president of National Life.

Mr. Gibbs said that more than $20,000,000 of loans have been made by the company in the greater Dallas area through Joyner.

Below, Mr. Gibbs, left, presents plaque to Mr. Abernathy.



MBA Board Member **Norman H. Nelson,** vice president of The Minnesota Mutual Life Insurance Company, was elected President of The Minnesota Club of St. Paul at its annual meeting. The club, formed in 1884, has included as members at various times several Minnesota governors, U. S. senators, a Justice of the supreme court, an attorney general and a secretary of state.

Gordon Stimson has been elected president of the Wallace Moir Company in Beverly Hills, California, succeeding **Wallace Moir,** who was elected chairman of the board. Mr. Stimson has been associated with Mr. Moir for more than 30 years and most of his adult life has been in mortgage finance. He was formerly president of the Southern California MBA and the California MBA. His early career included teaching in the Los Angeles public schools. He is a graduate of the University of California in Berkeley and the Harvard Graduate School of Business Administration.



Gordon Stimson



Wallace Moir

During World War II he was with the 10th Mountain Army with the rank of Major, a unit which saw active duty in the Italian Campaign. Mr. Moir is a former President of MBA and one of the Association's most active members during its present period of growth. Action of the directors in making these changes, said Mr. Moir, "will not alter one iota my same active participation in the business. I love the mortgage business, always have loved it, never expect to retire and I am grateful each day for the opportunity to work and be of service to you, my fellow workers, and to our many clients."

H. A. Yoars, senior officer in charge of real estate and mortgage lending activities for the First National City Bank of New York, has been elected a member of the board of directors of General Development Corp. and joined the Florida home-building and community development firm as financial vice president.

Mr. Yoars has been the senior officer in charge of real estate and mortgage lending at First National City since 1955. He has also been active in banking associations, having served on various committees of ABA's mortgage division as well as of MBA.

Prior to his association with First National City Bank, Mr. Yoars' activity in the mortgage lending field

included a 23-year association with the Equitable Life Assurance Society, of which he was a vice president. He has been a trustee of the Bowery Savings Bank in New York City since 1941.

Walter I. Black, president, Service Investment Company of Denver, announced that **Hugh B. Kellogg,** one of the original founders of the Company, has sold his stock holdings to **Fred E. Kirk, Robert D. Knowlton,** and **Robert C. Benight,** and that Mr. Kirk has been promoted to the office of secretary-treasurer and Mr. Benight to the office of assistant secretary.

Joseph Bianco was elected president of the Bank of Idaho in Boise. He was formerly president of the Conrad National Bank in Kalispell, Montana.

Raymond J. Hodgson, vice president in the mortgage department of the National Bank of Detroit, has been advanced to the rank of senior vice president. Mr. Hodgson entered the banking field in 1945, and had previously been engaged in finance and industry in Detroit for more than 15 years. He has occupied a prominent position in the city's development program, and is president and a director of the Central Business District Association.

E. E. Wallace, Jr., Dallas banker, has been elected to the board of Fidelity Bank of Beverly Hills and Los Angeles, Stanley M. Stalford, chairman, announced.

Wallace is the former senior vice president and member of the executive committee of Republic National Bank of Dallas, where he served from 1936 to 1959. On June 30, 1959, Wallace resigned from Republic National and is now president of Wallace Properties, Inc. of Dallas.

E. Richard Werner was elected president of The Western Saving Fund Society of Philadelphia, to succeed **P. Blair Lee** who retired. Werner, who has been executive vice president since November 1959, will become the tenth president of the 113-year old mutual savings bank.

Werner, a graduate of the University of Pennsylvania, began his banking career in 1924. He was named assistant secretary of Western Saving Fund in January 1933 and successively served as assistant vice president, vice president and senior vice president from 1938 to 1959 when he was elevated to executive vice president.

Promotion of two officers in Johnson-Anderson Mortgage Company, Denver, was announced by **Edward J. Dempsey,** president. They are **I. Fred Muenchrath,** promoted to assistant vice president and **Edwin A. Deines,** assistant secretary treasurer.

Muenchrath, who is manager of the commercial loan department, just completed MBA's Seminar at Michigan State University.

Mr. Dempsey said "the mortgage company, now completing its tenth year, was now placing a greater emphasis on commercial and industrial financing and accordingly the department has been expanded under Muenchrath's supervision."

Deines has been with the company over five years and attended college in Waverly, Iowa. He has attended real estate courses at Denver University School of Business and supervises the residential loan department.

Arthur G. Pulis, Jr., president, Franklin Capital Corporation, mortgage bankers, of Newark, and **Thomas E. Colleton,** president of Lawyers-Clinton Title Insurance Company of Newark, jointly announced the sale by Franklin Capital of its wholly owned subsidiary, Franklin Title Insurance Company, and the purchase of that Company by Lawyers-Clinton.

Mr. Pulis said the sale was another move to concentrate the entire facilities of Franklin Capital in its rapidly growing mortgage banking business and will enable Franklin to put into immediate operation long-contemplated plans for continued growth and expansion. Franklin Capital in the past decade has grown to be one of the largest mortgage banking firms in the East. Its servicing portfolio has had a net growth of $145 million since 1946.

American Title Insurance Company of Miami, which acquired the Columbia and the Real Estate Title Insurance Companies of the District of Columbia last May, has purchased American Title Company of Michigan, Detroit. The Michigan firm has served as exclusive state agent for American Title.

The acquisition was effected, President **Jay R. Schwartz** of American Title Insurance Company said, through purchase of all stock of the Michigan corporation. The building was not included in the transaction.

Stanley M. Fisher, executive vice president of ATCO of Michigan since it was founded, was named president upon completion of the acquisition, and will direct the Michigan Company as a subsidiary.

Appointment of **Gerald J. Van Norden** to Advance Mortgage Corporation's Detroit FHA-VA mortgage origination department is announced by **Leslie Rose,** vice president in charge of residential mortgage originations. Van Norden, an assistant vice president, will assist **James R. Sterling** in the origination of FHA and VA loans.

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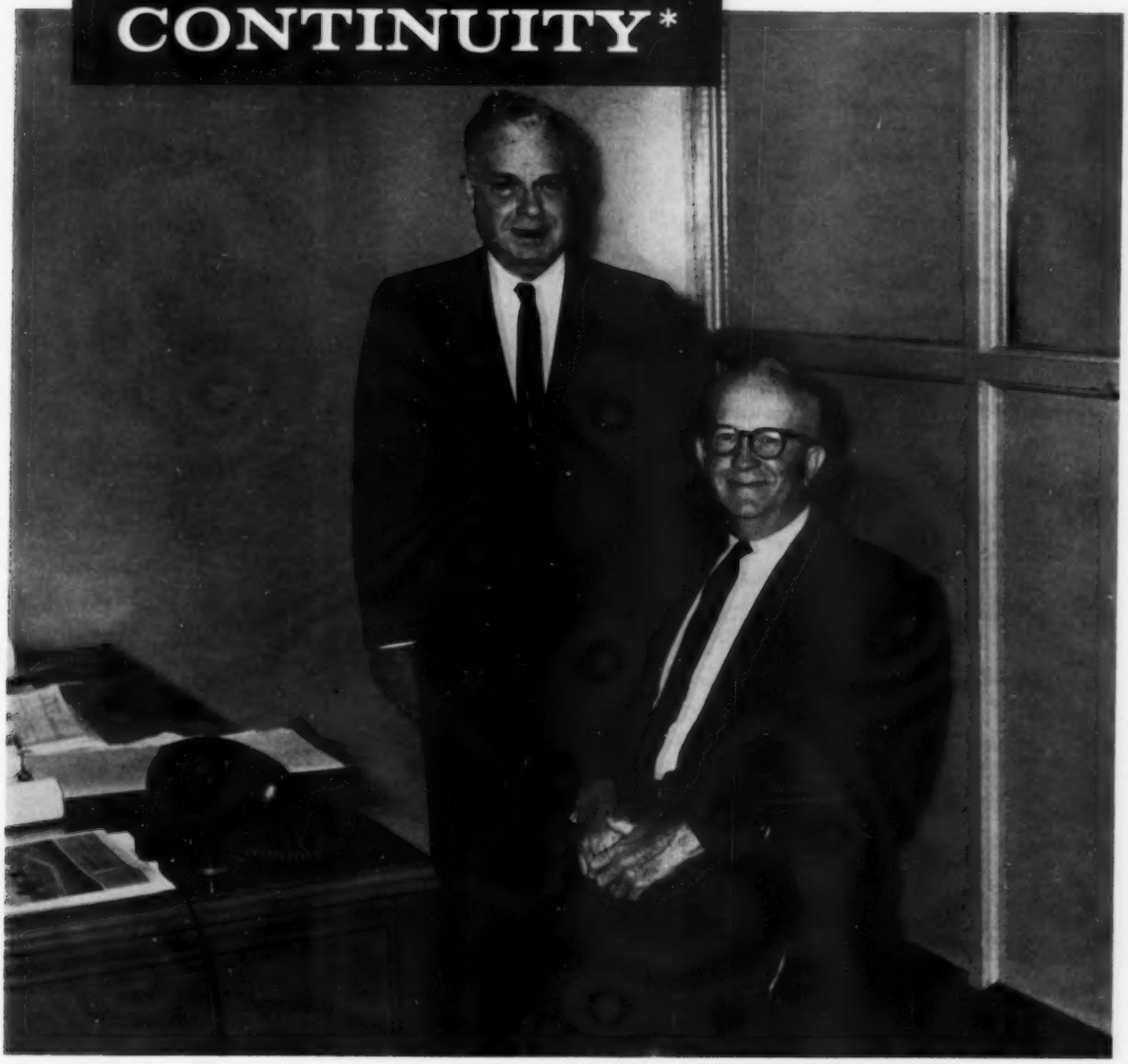
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